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**Transcript Exhibit(s)**

**Docket #(s):** W-01676A-08-0366

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Arizona Corporation Commission

**DOCKETED**

**FEB 17 2010**

DOCKETED BY	
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**Exhibit # :** A1, 51-54.

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CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

**FEB 17 2010**

DOCKETED BY	
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Response to STAFF's Reply  
To PWC response to STAFF  
Report

Ronald L. McDonald  
Pineview Water Company  
5198 Cub Lake Road  
Show Low, Arizona 92801  
Telephone: 928-537-4858  
General Manager of Pineview Water Company, Inc.



**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE ) DOCKET NO. W-01676A-08-0366  
APPLICATION OF PINEVIEW )  
WATER COMPANY, INC. FOR AN ) Reply to Response  
INCREASE IN ITS WATER RATES )

On January 12, 2010 the "Staff" of the Utilities Division of the Arizona Corporation Commission filed a "Reply" to the response that Pineview Water Company ("Company") filed on December 24, 2009 to the Utility Division Staff's Direct Testimony filed on December 3, 2009.

Pineview Water Company agrees with "Staff's" reply to the Company's December 24, 2009 Response.

Although the Company did not propose an increase in Hook-Up fees in its application, it hoped that Staff would recommend an increase in Hook-Up fees in lieu of the Service Line and Meter Installation Charges being changed to zero.

The Company understands that the issue of an increase in the Company's Hook-Up fees can be discussed at the Company's hearing on February 4, 2010.

Therefore the Company respectfully submits the following in support of an increase in the Company's Hook-Up fee charges.

On October 5, 2004 the Arizona Corporation Commission rendered Decision No. 67275 approving a Hook-Up Fee Tariff. In the Terms and Conditions for the Use of Off-Site Hook-Up fees Item IV 'B' of the decision states "Hook-Up fees may only be used to pay for the capital

1 items of off-site facilities, or for repayment of loans obtained for installation of off-site  
2 facilities.”

3 On July 18, 2005 Arizona Corporation Commission rendered Decision No. 67989  
4 authorizing Pineview Water Company to obtain a Water Infrastructure Finance Authority  
5 (WIFA) loan. WIFA Loan #920098.06 was for the construction of new plant.

6 Between October 5, 2004 and January 25, 2010 Pineview Water Company has collected a  
7 total of \$121,000 in Hook-Up Fees. During this same period the Company has paid \$221,521 in  
8 WIFA loan payments on WIFA loan #920098.06.

9 The shortfall of each WIFA payment made with Hook-Up fees has been paid from  
10 General Account funds.

11 It is the Company's understanding that the purpose of the Hook-Up fee is to have new  
12 development cover the cost of new plant rather than existing rate payers. The current Hook-Up  
13 fees do not cover the cost of the new construction which has resulted in much of the cost being  
14 covered by the General Fund, which is received from existing rate payers.

15 The annual payments on the WIFA Loan total \$61,824. The average annual revenue  
16 received from Hook-Up fees is \$33,768 resulting in a 54% shortfall.

17 Therefore the Company respectfully requests that the Commission consider a 54%  
18 increase in Hook-Up Fees.

19 An Original and thirteen copies of the  
20 foregoing filed this 26th day  
of January, 2010 with:

21 Docket Control  
22 Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

23 A copy of the foregoing filed  
this 26th day of January, 2010 to:

1 Hearing Division  
Arizona Corporation Commission  
2 1200 W. Washington  
Phoenix, Arizona 85007

3 Utilities Division  
4 Arizona Corporation Commission  
1200 West Washington  
5 Phoenix, Arizona 85007

6 Legal Division  
Arizona Corporation Commission  
7 1200 West Washington  
Phoenix, Arizona 85007

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**Proposed new rate for Hook-Up Fees  
For Pineview Water Company**

OFF-SITE FACILITIES HOOK-UP FEE TABLE		
Meter Size	Current Fees	Proposed Fees
5/8" X 3/4"	\$ 500	\$ 770
3/4"	\$ 750	\$ 1,155
1"	\$1,250	\$ 1,925
1 – 1/2"	\$2,500	\$ 3,850
2"	\$4,000	\$6 ,160
3"	\$8,000	\$12,320
4"	\$12,500	\$19,250
6" or larger	\$25,000	\$38,500

8:37 AM

09/09/08

Accrual Basis

Hook-up Fees

Received.

Pineview Water Company, Inc.  
**Account QuickReport**  
 As of December 31, 2006

4 of 5

Type	Date	Num	Name	Memo	Split	Amount	Balance
<b>CIAC</b>							
<b>271.1 · Hook Up Fee Income</b>							
Deposit	11/18/2004	316	Water Accounts	Deeter	131.1 · Bank Of...	500.00	500.00
Deposit	1/12/2005		Water Accounts	Myers, Jones, ...	131.6 · The Sto...	1,500.00	2,000.00
Deposit	2/2/2005	2966	Water Accounts	Williams	131.6 · The Sto...	500.00	2,500.00
Deposit	3/17/2005	1081		Stringer (2)	131.6 · The Sto...	1,000.00	3,500.00
Deposit	4/8/2005	6335	Water Accounts	Goertz	131.6 · The Sto...	500.00	4,000.00
Deposit	4/26/2005	4695	Water Accounts	Baker	131.6 · The Sto...	750.00	4,750.00
Deposit	5/19/2005	2358		Staley	131.6 · The Sto...	500.00	5,250.00
Deposit	7/1/2005	545	Water Accounts	Fuqua	131.6 · The Sto...	500.00	5,750.00
Deposit	8/17/2005	5192	Water Accounts	Stringer's Cust...	131.6 · The Sto...	500.00	6,250.00
Deposit	8/17/2005	1233	Water Accounts	Ashcraft	131.6 · The Sto...	500.00	6,750.00
Deposit	8/19/2005	118	Water Accounts	Bjarnson	131.6 · The Sto...	500.00	7,250.00
Deposit	8/29/2005	774469	Water Accounts	HBE	131.6 · The Sto...	750.00	8,000.00
Deposit	8/30/2005	1137	Water Accounts	Linder & Melvin	131.6 · The Sto...	1,000.00	9,000.00
Deposit	8/31/2005	1114	Water Accounts	The Investme...	131.6 · The Sto...	2,500.00	11,500.00
Deposit	9/7/2005	1008	Water Accounts	Earl	131.6 · The Sto...	500.00	12,000.00
Deposit	9/19/2005	185854	Water Accounts	Navapache R...	131.6 · The Sto...	750.00	12,750.00
Deposit	9/27/2005	1089	Water Accounts	ASCJ Custom ...	131.6 · The Sto...	500.00	13,250.00
Deposit	10/5/2005	7189	Water Accounts	Leonardo	131.6 · The Sto...	500.00	13,750.00
Deposit	10/20/2005	126	Water Accounts	Smith	131.6 · The Sto...	500.00	14,250.00
Deposit	10/21/2005	6018	Water Accounts	Short	131.6 · The Sto...	500.00	14,750.00
Deposit	10/27/2005	1838	Bear Cub Properties, ...	Bear Cub Pro...	131.6 · The Sto...	750.00	15,500.00
Deposit	10/27/2005	1160	Lakeside 160 LLC	Starlight Ridge...	131.6 · The Sto...	9,000.00	24,500.00
Deposit	11/1/2005	112	Water Accounts	Asselstine	131.6 · The Sto...	500.00	25,000.00
Deposit	11/8/2005	1981	Water Accounts	Velte	131.6 · The Sto...	500.00	25,500.00
Deposit	11/10/2005	1142	Water Accounts	Melvin	131.6 · The Sto...	500.00	26,000.00
Deposit	11/17/2005		Water Accounts	Zuna	131.6 · The Sto...	500.00	26,500.00
Deposit	12/8/2005	2110	Water Accounts	Melvin & Moun...	131.6 · The Sto...	1,000.00	27,500.00
Deposit	12/27/2005	1048	Water Accounts	Breinholt	131.6 · The Sto...	500.00	28,000.00
Deposit	2/1/2006	4394	Water Accounts	McFall	131.6 · The Sto...	2,000.00	30,000.00
Deposit	2/24/2006	11547		Schurkens	131.6 · The Sto...	500.00	30,500.00
Deposit	3/7/2006	8054	Water Accounts	Breinholt	131.6 · The Sto...	500.00	31,000.00
Deposit	4/26/2006	1266	Lakeside 160 LLC	Deposit	131.6 · The Sto...	6,000.00	37,000.00
Deposit	5/5/2006	1952	Bear Cub Properties, ...	Suite #390	131.6 · The Sto...	750.00	37,750.00
Deposit	5/18/2006	1981	Bear Cub Properties, ...	Landscape Me...	131.6 · The Sto...	750.00	38,500.00
Deposit	5/24/2006	2721	Water Accounts	Staley	131.6 · The Sto...	500.00	39,000.00
Deposit	7/7/2006	1451	Water Accounts	Olney, Hall, & ...	131.6 · The Sto...	1,750.00	40,750.00
Deposit	7/14/2006	1645	Water Accounts	Esch & Melvin	131.6 · The Sto...	1,000.00	41,750.00
Deposit	7/28/2006	1321	Lakeside 160 LLC	Lakeside 160, ...	131.6 · The Sto...	4,500.00	46,250.00
Deposit	8/10/2006	1332	Lakeside 160 LLC	Lots 64 & 71	131.6 · The Sto...	1,000.00	47,250.00
Deposit	8/14/2006	2516	Water Accounts	D Bar V Builde...	131.6 · The Sto...	500.00	47,750.00
Deposit	8/16/2006	2071	Water Accounts	Bear Cub Pro...	131.6 · The Sto...	750.00	48,500.00
Deposit	9/14/2006	313	Water Accounts	Bjarnson	131.6 · The Sto...	500.00	49,000.00
Deposit	9/26/2006	1354	Water Accounts	Lakeside 160, ...	131.6 · The Sto...	1,500.00	50,500.00
Deposit	9/28/2006	4255	Water Accounts	Lobb	131.6 · The Sto...	500.00	51,000.00
Deposit	10/5/2006	5360	Water Accounts	Deposit	131.6 · The Sto...	500.00	51,500.00
Deposit	10/16/2006	1371	Water Accounts	Lakeside 160, ...	131.6 · The Sto...	2,000.00	53,500.00
Deposit	10/17/2006	1132	Water Accounts	Williamson	131.6 · The Sto...	500.00	54,000.00
Deposit	11/2/2006	2139	Water Accounts	Bear Cub Pro...	131.6 · The Sto...	750.00	54,750.00
Deposit	12/4/2006	1401	Water Accounts	Lakeside 160, ...	131.6 · The Sto...	3,000.00	57,750.00
Total 271.1 · Hook Up Fee Income						57,750.00	57,750.00
Total CIAC						57,750.00	57,750.00
<b>TOTAL</b>						<b>57,750.00</b>	<b>57,750.00</b>

10:15 AM

10/01/08

Accrual Basis

## Pineview Water Company, Inc.

## Account QuickReport

As of October 1, 2008

S of 5

Type	Date	Num	Name	Memo	Split	Amount	Balance
CIAC							57,750.00
271.1 · Hook-Up Fee Income							57,750.00
Deposit	1/12/2007	255	Water Accounts	Melvin	131.6 · National...	500.00	58,250.00
Deposit	1/16/2007	1076	Water Accounts	Mountain's Me...	131.6 · National...	750.00	59,000.00
Deposit	1/31/2007	1426	Water Accounts	Lakeside 160, ...	131.6 · National...	3,000.00	62,000.00
Deposit	2/27/2007	2614	Water Accounts	Melvin	131.6 · National...	500.00	62,500.00
Deposit	3/21/2007	1441	Lakeside 160, LLC	Lakeside 160, ...	131.6 · National...	6,000.00	68,500.00
Deposit	5/15/2007	1210	Water Accounts	Schweiger	131.6 · National...	500.00	69,000.00
Deposit	5/17/2007	2055	Water Accounts	Malais	131.6 · National...	500.00	69,500.00
Deposit	5/23/2007	2057	Water Accounts	Lakeside 160, ...	131.6 · National...	750.00	70,250.00
Deposit	5/30/2007	8984	Water Accounts	Field	131.6 · National...	500.00	70,750.00
Deposit	6/1/2007	1030		Kingsbury	131.6 · National...	500.00	71,250.00
Deposit	6/21/2007	1107	Water Accounts	Melvin	131.6 · National...	500.00	71,750.00
Deposit	7/12/2007	1170	Water Accounts	JK Mountain E...	131.6 · National...	750.00	72,500.00
Deposit	7/20/2007		Water Accounts	Deposit	131.6 · National...	3,000.00	75,500.00
Deposit	7/27/2007		Water Accounts	Deposit	131.6 · National...	500.00	76,000.00
Deposit	8/28/2007	169 & ...	Water Accounts	Esparza & Bra...	131.6 · National...	1,000.00	77,000.00
Deposit	9/21/2007	211096	Water Accounts	Navopache	131.6 · National...	750.00	77,750.00
Deposit	9/28/2007	1034	Water Accounts	Your Family	131.6 · National...	1,250.00	79,000.00
Deposit	10/5/2007	2126	Water Accounts	SAK	131.6 · National...	500.00	79,500.00
Deposit	10/12/2007	1087	Water Accounts	Bjarnson	131.6 · National...	500.00	80,000.00
Deposit	10/31/2007	1348 ...	Water Accounts	JK Mountain E...	131.6 · National...	1,000.00	81,000.00
Deposit	11/2/2007	491	Water Accounts	Horn	131.6 · National...	500.00	81,500.00
Deposit	11/30/2007	117	Water Accounts	Owen	131.6 · National...	500.00	82,000.00
Deposit	12/7/2007	110	Water Accounts	Hooper	131.6 · National...	500.00	82,500.00
Deposit	12/14/2007	3493	Water Accounts	Sorget	131.6 · National...	500.00	83,000.00
Deposit	12/28/2007	19065...	Water Accounts	Lindsey	131.6 · National...	500.00	83,500.00
Deposit	1/18/2008	3093	Water Accounts	Webb	131.6 · National...	500.00	84,000.00
Deposit	1/25/2008	31678...	Water Accounts	Lowe's	131.6 · National...	8,000.00	92,000.00
Deposit	2/1/2008		Water Accounts	Deposit	131.6 · National...	2,250.00	94,250.00
Deposit	2/8/2008	61012...	Water Accounts	Green	131.6 · National...	500.00	94,750.00
Deposit	2/29/2008	6298	Water Accounts	Finley	131.6 · National...	500.00	95,250.00
Deposit	3/21/2008	1443 ...	Water Accounts	JK Mountain E...	131.6 · National...	1,000.00	96,250.00
Deposit	3/27/2008	169	Water Accounts	Westco	131.6 · National...	750.00	97,000.00
Deposit	4/8/2008	1300	Water Accounts	Beardsley	131.6 · National...	500.00	97,500.00
Deposit	4/11/2008	CC & ...	Water Accounts	Myrann & Nutile	131.6 · National...	1,000.00	98,500.00
Deposit	5/1/2008		Water Accounts	Deposit	131.6 · National...	1,000.00	99,500.00
Deposit	5/2/2008	1607	Water Accounts	Murphy-Sagua...	131.6 · National...	500.00	100,000.00
Deposit	5/16/2008	5075	Water Accounts	SAK & Lakesi...	131.5 · National...	6,000.00	106,000.00
Deposit	5/16/2008	13250...	Water Accounts	Rickrich & Lei...	131.6 · National...	1,000.00	107,000.00
Deposit	5/22/2008	7699	Water Accounts	Mills	131.6 · National...	500.00	107,500.00
Deposit	5/30/2008	21523...	Water Accounts	Deposit	131.6 · National...	500.00	108,000.00
Deposit	6/6/2008	21498...	Water Accounts	Hanson	131.6 · National...	500.00	108,500.00
Deposit	7/11/2008	358753	Water Accounts	Grimes	131.6 · National...	500.00	109,000.00
Deposit	7/31/2008	1578, ...	Water Accounts	JK, Vallery, & ...	131.6 · National...	1,500.00	110,500.00
Deposit	9/19/2008	2084, ...	Water Accounts	Old Bear, S. & ...	131.6 · National...	1,750.00	112,250.00
Total 271.1 · Hook-Up Fee Income						54,500.00	112,250.00
Total CIAC						54,500.00	112,250.00
TOTAL						54,500.00	112,250.00

TOTAL Received J  
AS of 9-19-08

10:40 AM

01/26/10

Accrual Basis

## Pineview Water Company, Inc.

## Account QuickReport

## All Transactions

Type	Date	Num	Name	Memo	Amount	Balance
<b>CIAC</b>						
<b>271.1 - Hook-Up Fee Income</b>						
General Journal	12/31/2006	BEGB...		Beginning Balances	57,750.00	57,750.00
Deposit	1/12/2007	255	Water Accounts	Melvin	500.00	58,250.00
Deposit	1/16/2007	1076	Water Accounts	Mountain's Meadow, LLC	750.00	59,000.00
Deposit	1/31/2007	1426	Water Accounts	Lakeside 160, LLC (6)	3,000.00	62,000.00
Deposit	2/27/2007	2614	Water Accounts	Melvin	500.00	62,500.00
Deposit	3/21/2007	1441	Lakeside 160, LLC	Lakeside 160, LLC (12) 25-30 & 41-46	6,000.00	68,500.00
Deposit	5/15/2007	1210	Water Accounts	Schweiger	500.00	69,000.00
Deposit	5/17/2007	2055	Water Accounts	Malais	500.00	69,500.00
Deposit	5/23/2007	2057	Water Accounts	Lakeside 160, LLC	750.00	70,250.00
Deposit	5/30/2007	8984	Water Accounts	Field	500.00	70,750.00
Deposit	6/1/2007	1030		Kingsbury	500.00	71,250.00
Deposit	6/21/2007	1107	Water Accounts	Melvin	500.00	71,750.00
Deposit	7/12/2007	1170	Water Accounts	JK Mountain Enterprises LLC	750.00	72,500.00
Deposit	7/20/2007		Water Accounts	Deposit	3,000.00	75,500.00
Deposit	7/27/2007		Water Accounts	Deposit	500.00	76,000.00
Deposit	8/28/2007	169 & ...	Water Accounts	Esparza & Braun	1,000.00	77,000.00
Deposit	9/21/2007	211096	Water Accounts	Navopache	750.00	77,750.00
Deposit	9/28/2007	1034	Water Accounts	Your Family	1,250.00	79,000.00
Deposit	10/5/2007	2126	Water Accounts	SAK	500.00	79,500.00
Deposit	10/12/2007	1087	Water Accounts	Bjarnson	500.00	80,000.00
Deposit	10/31/2007	1348 ...	Water Accounts	JK Mountain Enterprises	1,000.00	81,000.00
Deposit	11/2/2007	491	Water Accounts	Horn	500.00	81,500.00
Deposit	11/30/2007	117	Water Accounts	Owen	500.00	82,000.00
Deposit	12/7/2007	110	Water Accounts	Hooper	500.00	82,500.00
Deposit	12/14/2007	3493	Water Accounts	Sorget	500.00	83,000.00
Deposit	12/28/2007	19065...	Water Accounts	Lindsey	500.00	83,500.00
Deposit	1/18/2008	3093	Water Accounts	Webb	500.00	84,000.00
Deposit	1/25/2008	31678...	Water Accounts	Lowe's	8,000.00	92,000.00
Deposit	2/1/2008		Water Accounts	Deposit	2,250.00	94,250.00
Deposit	2/8/2008	61012...	Water Accounts	Green	500.00	94,750.00
Deposit	2/29/2008	6298	Water Accounts	Finley	500.00	95,250.00
Deposit	3/21/2008	1443 ...	Water Accounts	JK Mountain Enterprises	1,000.00	96,250.00
Deposit	3/27/2008	169	Water Accounts	Westco	750.00	97,000.00
Deposit	4/8/2008	1300	Water Accounts	Beardsley	500.00	97,500.00
Deposit	4/11/2008	CC & ...	Water Accounts	Myrann & Nutile	1,000.00	98,500.00
Deposit	5/1/2008		Water Accounts	Deposit	1,000.00	99,500.00
Deposit	5/2/2008	1607	Water Accounts	Murphy-Saguaro, LLC	500.00	100,000.00
Deposit	5/16/2008	5075	Water Accounts	SAK & Lakeside 160	6,000.00	106,000.00
Deposit	5/16/2008	13250...	Water Accounts	Rickrich & Leivonen	1,000.00	107,000.00
Deposit	5/22/2008	7699	Water Accounts	Mills	500.00	107,500.00
Deposit	5/30/2008	21523...	Water Accounts	Deposit	500.00	108,000.00
Deposit	6/6/2008	21498...	Water Accounts	Hanson	500.00	108,500.00
Deposit	7/11/2008	358753	Water Accounts	Grimes	500.00	109,000.00
Deposit	7/31/2008	1578, ...	Water Accounts	JK, Vallery, & Nolan	1,500.00	110,500.00
Deposit	9/19/2008	2084, ...	Water Accounts	Old Bear, S. & SG, & Giancola	1,750.00	112,250.00
Deposit	10/2/2008	522	Water Accounts	Robertson	500.00	112,750.00
Deposit	11/7/2008	3817	Water Accounts	Nicks	500.00	113,250.00
Deposit	11/14/2008	1033 ...	Water Accounts	Ruskys & Stringer	1,000.00	114,250.00
Deposit	11/26/2008	1020	Water Accounts	Crittenden	500.00	114,750.00
Deposit	12/5/2008	145 & ...	Water Accounts	Mitchell & JK Mountain Enterprises	1,000.00	115,750.00
Deposit	5/8/2009	14898	Water Accounts	SL Fire	1,250.00	117,000.00
Deposit	6/12/2009	1369	Water Accounts	S & D	750.00	117,750.00
Deposit	7/2/2009	1380	Water Accounts	Fadden	500.00	118,250.00
Deposit	7/17/2009	188	Water Accounts	DeSmith	500.00	118,750.00
Deposit	8/19/2009	117 & ...	Water Accounts	Agan & Stringer's Custom Homes	1,000.00	119,750.00
Deposit	12/3/2009	235513	Water Accounts	Summit Healthcare	750.00	120,500.00
Deposit	12/18/2009	02241...	Water Accounts	Mountain's Meadow, LLC	500.00	121,000.00
Total 271.1 - Hook-Up Fee Income					121,000.00	121,000.00
Total CIAC					121,000.00	121,000.00
<b>TOTAL</b>					121,000.00	<b>121,000.00</b>

TOTAL RECEIVED AS OF  
1-25-10



1:35 PM

01/29/10

Accrual Basis

**Pineview Water Company, Inc.**  
**Transaction Detail by Account**  
 June through December 2006

Date	Num	Name	Memo	Amount	Balance
<b>131.6 - The Stockmen's Bank-Hook Up Fee</b>					
6/1/2006	GJ06061		WIFA Payments	-8,726.96	-8,726.96
7/1/2006	GJ07061		WIFA Payments	-8,726.96	-17,453.92
8/1/2006	GJ08061		WIFA Payments	-8,726.96	-26,180.88
9/1/2006	GJ09061		WIFA Payments	-8,726.96	-34,907.84
10/1/2006	GJ10061		WIFA Payments	-8,726.96	-43,634.80
11/1/2006	GJ11061		WIFA Payments	-8,726.96	-52,361.76
12/1/2006	GJ12061		WIFA Payments	-8,726.96	-61,088.72
Total 131.6 - The Stockmen's Bank-Hook Up Fee				-61,088.72	-61,088.72
<b>TOTAL</b>				<b>-61,088.72</b>	<b>-61,088.72</b>

Loan # 920034 - 00 - payment \$ 3,575.32

Loan # 920098 - 06 - payment \$ 5,151.64 → TOTAL \* 36,061.48  
 New plant Loan  
 06/06 To 12/06  
 7 Auto pays  
 TOTAL \$ 8,726.96  
 (7 x \$ 5,151.64)

1:32 PM

01/29/10

Accrual Basis

**Pineview Water Company, Inc.**  
**Transaction Detail by Account**  
**January 1, 2007 through January 29, 2010**

Type	Date	Num	Memo	Amount	Balance
<b>131.6 - National Bank of AZ-Hook Up Fee</b>					
General Journal	1/1/2007	GJ01071	WIFA Payments	-8,726.96	-8,726.96
General Journal	2/1/2007	GJ02071	WIFA Payments	-8,726.96	-17,453.92
General Journal	3/1/2007	GJ03071	WIFA Payments	-8,726.96	-26,180.88
General Journal	4/1/2007	GJ04071	WIFA Payments	-8,726.96	-34,907.84
General Journal	5/1/2007	GJ05071	WIFA Payments	-8,726.96	-43,634.80
General Journal	6/1/2007	GJ06071	WIFA Payments	-8,726.96	-52,361.76
General Journal	7/1/2007	GJ07071	WIFA Payments	-8,726.96	-61,088.72
General Journal	8/1/2007	GJ08071	WIFA Payments	-8,726.96	-69,815.68
General Journal	9/1/2007	GJ09071	WIFA Payments	-8,726.96	-78,542.64
General Journal	10/1/2007	GJ10071	WIFA Payments	-8,726.96	-87,269.60
General Journal	11/1/2007	GJ11071	WIFA Payments	-8,726.96	-95,996.56
General Journal	12/1/2007	GJ12071	WIFA Payments	-8,726.96	-104,723.52
General Journal	1/1/2008	GJ01081	WIFA Payments	-8,726.96	-113,450.48
General Journal	2/1/2008	GJ02081	WIFA Payments	-8,726.96	-122,177.44
General Journal	3/1/2008	GJ03081	WIFA Payments	-8,726.96	-130,904.40
General Journal	4/1/2008	GJ04081	WIFA Payments	-8,726.96	-139,631.36
General Journal	5/1/2008	GJ05081	WIFA Payments	-8,726.96	-148,358.32
General Journal	6/1/2008	GJ06081	WIFA Payments	-8,726.96	-157,085.28
General Journal	7/1/2008	GJ07081	WIFA Payments	-8,726.96	-165,812.24
General Journal	8/1/2008	GJ08081	WIFA Payments	-8,726.96	-174,539.20
General Journal	9/1/2008	GJ09081	WIFA Payments	-8,726.96	-183,266.16
General Journal	9/25/2008	GJ09089	Return Item S.J.L....	2,505.00	-185,771.16
General Journal	10/1/2008	GJ10081	WIFA Payments	-8,726.96	-194,498.12
General Journal	11/1/2008	GJ11081	WIFA Payments	-8,726.96	-203,225.08
General Journal	12/1/2008	GJ12081	WIFA Payments	-8,726.96	-211,952.04
General Journal	1/1/2009	GJ01091	WIFA Payments	-5,151.64	-217,103.68
General Journal	1/5/2009	GJ010910	Return Item Fee	-32.00	-217,135.68
General Journal	3/1/2009	GJ03091	WIFA Payments	-8,726.96	-225,862.64
General Journal	5/7/2009	GJ05091	WIFA Payment	-3,575.32	-229,437.96
General Journal	6/1/2009	GJ06091	WIFA Payment	-3,575.32	-233,013.28
Total 131.6 - National Bank of AZ-Hook Up Fee				-233,013.28	-233,013.28
<b>TOTAL</b>				<b>-233,013.28</b>	<b>-233,013.28</b>

→ Payments on for Loan # 920034-00

TOTAL 1/07 Through 1/09  
 26 Auto payments only

\$133,942.64  
 (26 x \$5,151.64)

1:41 PM  
01/29/10

**Pineview Water Company, Inc.**  
**Check Detail**  
January 1, 2009 through January 29, 2010

Type	Num	Date	Name	Item	Account	Paid Amount	Original Amount
Check	18	7/10/2009 ✓	WIFA		131.13 · Great We...		-8,726.96
					224.2 · N/P-WIFA	-4,215.20	4,215.20
					427 · Interest Expe...	-3,653.15	3,653.15
					224.3 · N/P-WIFA ...	-858.61	858.61
TOTAL						-8,726.96	8,726.96
Check	516	12/7/2009	WIFA		131.13 · Great We...		-3,575.32
					224.2 · N/P-WIFA	-2,350.78	2,350.78
					427 · Interest Expe...	-1,224.54	1,224.54
TOTAL						-3,575.32	3,575.32
Check	579	1/6/2010	WIFA		131.13 · Great We...		-3,575.32
					224.2 · N/P-WIFA	-2,361.41	2,361.41
					427 · Interest Expe...	-1,213.91	1,213.91
TOTAL						-3,575.32	3,575.32
Check	580	1/6/2010	WIFA		131.13 · Great We...		-5,151.64
					224.2 · N/P-WIFA	-1,978.07	1,978.07
					427 · Interest Expe...	-2,314.96	2,314.96
					224.3 · N/P-WIFA ...	-858.61	858.61
TOTAL						-5,151.64	5,151.64
Check	6255	1/13/2009	WIFA		131.5 · National B...		-3,575.32
					224.2 · N/P-WIFA	-2,236.88	2,236.88
					427 · Interest Expe...	-1,338.44	1,338.44
TOTAL						-3,575.32	3,575.32
Check	6303	2/3/2009	WIFA		131.5 · National B...		-3,575.32
					224.2 · N/P-WIFA	-2,247.00	2,247.00
					427 · Interest Expe...	-1,328.32	1,328.32
TOTAL						-3,575.32	3,575.32
Check	6304	2/3/2009 ✓	WIFA		131.5 · National B...		-5,151.64
					224.2 · N/P-WIFA	-1,867.36	1,867.36
					427 · Interest Expe...	-1,270.59	1,270.59
					427 · Interest Expe...	-1,155.08	1,155.08
					224.3 · N/P-WIFA ...	-858.61	858.61
TOTAL						-5,151.64	5,151.64
Check	6459	4/7/2009 ✓	WIFA		131.5 · National B...		-5,151.64
					224.2 · N/P-WIFA	-1,887.02	1,887.02
					427 · Interest Expe...	-1,260.29	1,260.29
					427 · Interest Expe...	-1,145.72	1,145.72
					224.3 · N/P-WIFA ...	-858.61	858.61
TOTAL						-5,151.64	5,151.64
Check	6460	4/7/2009	WIFA		131.5 · National B...		-3,575.32
					224.2 · N/P-WIFA	-2,267.38	2,267.38
					427 · Interest Expe...	-585.32	585.32

check payments - 7/09, 2/09 + 4/09 - TOTAL \$15,454.92

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01/29/10

Pineview Water Company, Inc.  
Check Detail  
January 1, 2009 through January 29, 2010

Type	Num	Date	Name	Item	Account	Paid Amount	Original Amount
					427 · Interest Expe...	-722.62	722.62
TOTAL						-3,575.32	3,575.32
Check	6553	5/12/2009 ✓	WIFA		131.5 · National B...		-5,151.64
					224.2 · N/P-WIFA	-1,896.92	1,896.92
					427 · Interest Expe...	-1,255.11	1,255.11
					427 · Interest Expe...	-1,141.00	1,141.00
					224.3 · N/P-WIFA ...	-858.61	858.61
TOTAL						-5,151.64	5,151.64
Check	6627	6/11/2009 ✓	WIFA		131.5 · National B...		-5,151.64
					224.2 · N/P-WIFA	-1,906.88	1,906.88
					427 · Interest Expe...	-1,249.90	1,249.90
					427 · Interest Expe...	-1,136.25	1,136.25
					224.3 · N/P-WIFA ...	-858.61	858.61
TOTAL						-5,151.64	5,151.64

check payments - 5/09 & 6/09 → TOTAL \$10,303.28

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01/29/10

Accrual Basis

**Pineview Water Company, Inc.**  
**Transaction Detail by Account**  
 January 1, 2007 through January 29, 2010

Type	Date	Num	Memo	Amount	Balance
<b>131.12 - Great Western Bank-Hook Up Fee</b>					
General Journal	8/1/2009	GJ08091	WIFA Payment	-8,726.96	-8,726.96
General Journal	9/1/2009	GJ09091	WIFA Payment	-8,726.96	-17,453.92
General Journal	10/1/2009	GJ10091	WIFA Payment	-8,726.96	-26,180.88
General Journal	10/22/2009	GJ10099	Return Item	-55.50	-26,236.38
General Journal	11/1/2009	GJ11091	WIFA Payments	-8,726.96	-34,963.34
General Journal	12/1/2009	GJ12091	WIFA Payment	-5,151.64	-40,114.98
General Journal	12/20/2009	GJ10099	Return Items-Phil...	-55.50	-40,170.48
General Journal	12/20/2009	GJ120914	Return Item-Brow...	-60.50	-40,230.98
Total 131.12 - Great Western Bank-Hook Up Fee				-40,230.98	-40,230.98
<b>TOTAL</b>				<b>-40,230.98</b>	<b>-40,230.98</b>

NA

5 Auto pay 8/09, 9/09, 10/09, 11/09 & 12/09 → TOTAL \$25,758.<sup>20</sup>

26 Auto 6/06 Thru 12/06 → \$36,061.48

25 Auto 1/07 Thru 11/09 } 26 Auto → \$133,942.64

1 Auto 3/09

check payments 2/09, 4/09 & 7/09 → \$15,454.92

check payments 5/09 & 6/09 → \$10,303.28

5 auto 8/09 thru 12/09 → \$25,758.<sup>20</sup>

**TOTAL \$221,520.52**

payments on New Plant Loan

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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AZ CORP COMMISSION  
DOCKET CONTROL



COMMISSIONERS

KRISTIN K. MAYES, Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

IN THE MATTER OF THE APPLICATION OF  
PINEVIEW WATER COMPANY, INC. FOR  
APPROVAL OF AN INCREASE IN ITS WATER  
RATES.

DOCKET NO. W-01676A-08-0366

STAFFS NOTICE OF FILING  
DIRECT TESTIMONY

The Utilities Division of the Arizona Corporation Commission ("Staff") hereby provides notice of filing of the Direct Testimony of Jeffrey M. Michlik, and Dorothy M. Hains in the above-referenced matter.

RESPECTFULLY SUBMITTED this 3<sup>rd</sup> day of December, 2009.

A handwritten signature in cursive script, appearing to read "Ayesha Vohra".

Ayesha Vohra  
Attorney, Legal Division  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007  
(602) 542-3402

Original and thirteen (13) copies  
of the foregoing were filed this  
3<sup>rd</sup> day of December, 2009 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85008

Copy of the foregoing mailed this  
3<sup>rd</sup> day of December, 2009 to:

Ronald L. McDonald, General Manager  
PINEVIEW WATER COMPANY  
5198 Cub Lake Road  
Show Low, Arizona 92801

A handwritten signature in cursive script, appearing to read "Philip Hodge".

Arizona Corporation Commission

DOCKETED

DEC - 3 2009



**DIRECT**

**TESTIMONY**

**OF**

**JEFFREY M. MICHLIK**

**DOROTHY M. HAINS**

**DOCKET NO. W-01676A-08-0366**

**IN THE MATTER OF THE APPLICATION  
OF PINVIEW WATER COMPANY, INC. FOR  
APPROVAL OF AN INCREASE IN ITS WATER RATES**

**DECEMBER 03, 2009**

BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

IN THE MATTER OF THE APPLICATION OF )  
PINEVIEW WATER COMPANY, INC. )  
FOR APPROVAL OF AN INCREASE IN ITS )  
WATER RATES. )  
\_\_\_\_\_)

DOCKET NO. W-01676A-08-0366

DIRECT

TESTIMONY

OF

JEFFREY M. MICHLIK

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

DECEMBER 03, 2009



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**EXECUTIVE SUMMARY  
PINEVIEW WATER COMPANY, INC.  
DOCKET NO. W-01676A-08-0366**

Pineview Water Company, Inc. ("Company") is an Arizona public service corporation engaged in providing water utility services in a portion of Navajo County, Arizona. The Company served approximately 1,175 water customers within its certificated area located southeast of Show Low, Arizona. The Company's previous rate case was based on a test year ended December 31, 2003. In Decision No. 67989, Finding of Fact No. 39 recommended the Company file a new rate case within three years of the Decision, dated July 18, 2005.

Rate Application:

The Company did not propose a rate increase or decrease in its rates at this time. The reason the Company filed a rate application was to be in compliance with Decision No. 67989. The Company proposes to maintain its current rates that produce operating revenue of \$675,251 resulting in operating income of \$42,447. The Company also proposes a fair value rate base ("FVRB") of \$957,645, which is its original cost rate base ("OCRB").

Staff recommends rates that would increase operating revenue by \$40,180 to produce operating revenue of \$715,431 resulting in operating income of \$71,573, or a 5.95 percent increase over adjusted test year revenue of \$675,251. Staff recommends an OCRB of \$441,433 which is its FVRB. Staff recommends using an operating margin of 10.00 percent to produce an appropriate revenue requirement.

Rate Design:

As the Company is not proposing a rate increase or decrease at this time, it has not proposed a rate design.

Staff recommends an inverted three-tier rate design for 5/8-inch meters and 3/4-inch residential metered customers, and an inverted two-tier rate structure for all other meter sizes (i.e. commercial, residential and industrial). The recommended rate structure conforms to those regularly adopted by the Commission in recent years. The typical 3/4-inch meter residential bill with median usage of 2,139 gallons would decrease by \$0.68, or 2.76 percent, from \$24.56 to \$23.88. This results from Staff lowering the first tier and increasing the second and third tier rates. Staff's rate design encourages customers to use water efficiently.

1   **INTRODUCTION**

2   **Q.   Please state your name, occupation, and business address.**

3   A.   My name is Jeffrey M. Michlik. I am a Public Utilities Analyst V employed by the  
4       Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division  
5       ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6  
7   **Q.   Briefly describe your responsibilities as a Public Utilities Analyst V.**

8   A.   In my capacity as a Public Utilities Analyst V, I analyze and examine accounting,  
9       financial, statistical and other information and prepare reports based on my analyses that  
10      present Staff's recommendations to the Commission on utility revenue requirements, rate  
11      design and other matters. I also provide expert testimony on these same issues.

12  
13   **Q.   Please describe your educational background and professional experience.**

14   A.   In 2000, I graduated from Idaho State University, receiving a Bachelor of Business  
15      Administration Degree in Accounting and Finance, and I am a Certified Public  
16      Accountant with the Arizona State Board of Accountancy. I have attended the National  
17      Association of Regulatory Utility Commissioners' ("NARUC") Utility Rate School,  
18      which presents general regulatory and business issues related to utility ratemaking.

19  
20      I joined the Commission as a Public Utilities Analyst in May of 2006. Prior to  
21      employment with the Commission, I worked four years for the Arizona Office of the  
22      Auditor General as a Staff Auditor, and one year in public accounting as a Senior Auditor.

23  
24   **Q.   What is the scope of your testimony in this case?**

25   A.   I am presenting Staff's analysis and recommendations regarding Pineview Water  
26      Company, Inc.'s ("Company") application for no increase or decrease in its rates and

1 charges for water utility service within Navajo County, Arizona. I am presenting  
2 testimony and schedules addressing rate base, operating revenues and expenses, revenue  
3 requirement, and rate design. Mrs. Dorothy Hains is presenting Staff's engineering  
4 analysis and related recommendations.

5  
6 **Q. What is the basis of your testimony in this case?**

7 A. I performed a regulatory audit of the Company's application and records. The regulatory  
8 audit consisted of examining and testing financial information, accounting records, and  
9 other supporting documentation and verifying that the accounting principles applied were  
10 in accordance with the Commission adopted NARUC Uniform System of Accounts  
11 ("USOA").

12  
13 **BACKGROUND**

14 **Q. Please review the background of this application.**

15 A. The Company is an Arizona "C" Corporation engaged in the business of providing water  
16 utility services to approximately 1,175 customers in its certificated area located southeast  
17 of the Town of Show Low in Navajo County, Arizona. The Company's last rate case was  
18 approved in Decision No. 67989, dated July 18, 2005.

19  
20 **CONSUMER SERVICES**

21 **Q. Please provide a brief history of customer complaints received by the Commission**  
22 **regarding the Company. Additionally, please discuss customer responses to the**  
23 **Company's rate case filing.**

24 A. A research of the Commission's Consumer Service database for the Company from  
25 January 1, 2006, to November 4, 2009, revealed the following:

1           2006 – Two Complaints (One Quality of Service, One Billing), zero inquires, and zero  
2           opinions.

3  
4           2007 – One Complaint (Quality of Service), zero inquires, and zero opinions.

5  
6           2008 – Two Complaints (One Billing, One Disconnect), zero inquires, and zero opinions.

7  
8           2009 – Three Complaints (Two Quality of Service, One Repair), zero inquires, and one  
9           opinion (opposed to the rate case).

10  
11          All complaints and inquiries have been resolved and closed.

12  
13       **SUMMARY OF FILING, RECOMMENDATIONS, AND ADJUSTMENTS.**

14       **Q.     Please summarize the Company's proposals in this filing.**

15       A.     The Company did not propose an increase or decrease in its rates at this time. The reason  
16           the Company filed a rate application was to be in compliance with Decision No. 67989.  
17           The Company proposes to maintain its current rates that produce operating revenue of  
18           \$675,251 resulting in operating income of \$42,447. The Company also proposes a fair  
19           value rate base ("FVRB") of \$957,645, which is its original cost rate base ("OCRB").

20  
21       **Q.     Please summarize Staff's recommendations.**

22       A.     Staff recommends rates that would increase operating revenue by \$40,180 to produce  
23           operating revenue of \$715,431 resulting in operating income of \$71,573, or a 5.95 percent  
24           increase over adjusted test year revenue of \$675,251. Staff recommends an OCRB of  
25           \$441,433 which is its FVRB. Staff recommends using an operating margin of 10.00  
26           percent to produce an appropriate revenue requirement.

1 **Q. Would Staff like to make any additional comments?**

2 A. Yes. On July 18, 2008, the Company filed an application using a test year ending March  
3 31, 2008. The Company's previous billing program had problems that affected test year  
4 revenues and, consequently, Staff's recommended revenues. Because the Company could  
5 not resolve these problems, it asked to update its test year from March 31, 2008, to  
6 December 31, 2008, so that only accurate data from the current billing system could be  
7 used. Staff did not object to the change in the test year. A procedural order was issued on  
8 September 10, 2009, affirming the new test year and resetting the hearing schedule.  
9

10 **Q. What is the test year end in this case?**

11 A. December 31, 2008.  
12

13 **Q. Did Staff make adjustments to its rate base and operating income to reflect the new**  
14 **test year?**

15 A. Yes. As all parties agreed at the Procedural Conference, Staff updated its schedules based  
16 on the Company's 2008 Annual Report that was submitted to the Commission and its  
17 2008 General Ledger.  
18

19 **Q. Please summarize the rate base adjustments addressed in your testimony.**

20 A. My testimony addresses the following issues:

21 Plant Not Used and Useful – This adjustment decreases Plant in Service by \$436,585 to  
22 remove plant that was deemed not used and useful.  
23

24 Reclassification of Plant – This adjustment removes \$4,491 of plant costs incorrectly  
25 included in account number 307, "Wells and Springs," and reclassifies this amount to  
26 account number 311, "Electric Pumping Equipment." In addition, this adjustment

1 removes \$1,856 of plant costs incorrectly included in account 331, "Transmission and  
2 Distribution Mains," and reclassifies this amount to account number 334 "Meters."

3  
4 Accumulated Depreciation – This adjustment decreases accumulated depreciation by  
5 \$4,601 based upon the adjustments Staff made to plant in service.

6  
7 Customer Deposits – This adjustment increases customer deposits by \$11,744 to include  
8 all customer deposits.

9  
10 Working Capital – This adjustment removes \$68,638 from working capital allowance.

11  
12 **Q. Please summarize the operating revenue and expense adjustments addressed in your**  
13 **testimony.**

14 **A. My testimony addresses the following issues:**

15 Office and Supplies Expense – This adjustment removes \$201 from Supplies Expense  
16 related to food and beverage items that are not needed for the provision of services.

17  
18 Water Testing Expense – This adjustment increases expense by \$435 to reflect water  
19 testing costs as determined by Staff.

20  
21 Rate Case Expense – This adjustment decreases rate case expense by \$9,979 to remove the  
22 expense item as it is not an ongoing expense.

23  
24 Depreciation Expense – This adjustment decreases depreciation expense by \$7,700 to  
25 adjust depreciation based on Staff's plant in service numbers.

26



1        Property Tax Expense – This adjustment increases property tax expense by \$2,142 to  
2        adjust property taxes to Staff's adjusted test year amount.

3  
4        Income Tax Expense – This adjustment increases income tax expense by \$12,424 to  
5        reflect Staff's recommended level based on federal and state income taxes.

6  
7        **RATE BASE**

8        **Fair Value Rate Base**

9        **Q.     Did the Company prepare a schedule showing the elements of Reconstruction Cost**  
10       **New Rate Base?**

11       **A.     No, the Company did not. The Company's filing treats the OCRB the same as the FVRB.**

12  
13       **Rate Base Summary**

14       **Q.     Please summarize Staff's adjustments to the Company's rate base shown on**  
15       **Schedules JMM-W3 and JMM-W4.**

16       **A.     Staff's adjustments to the Company's rate base resulted in a net decrease of \$512,366,**  
17       **from \$957,645 to \$445,278. This decrease was primarily due to: (1) removal of plant that**  
18       **was not serving customers during the test year, (2) adjustments to accumulated**  
19       **depreciation, (3) adjustments to customer deposits, and (4) removal of working capital.**

20  
21       ***Rate Base Adjustment No. 1 – Plant Not Used and Useful***

22       **Q.     Did Staff make an adjustment to plant for plant items that were not used and useful?**

23       **A.     Yes.**

1     **Q.     What adjustment did Staff make?**

2     A.     Staff identified \$436,585 in plant that was not used and useful as shown on Schedule  
3             JMM-5.

4  
5     **Q.     Why did Staff make this adjustment?**

6     A.     Staff inspected the entire system and identified certain individual plant items that were not  
7             serving customers during the test year.

8  
9     **Q.     What is Staff's recommendation?**

10    A.     Staff recommends decreasing plant in service by \$436,585, from \$4,669,687 to  
11             \$4,233,102, to remove the plant from rate base that was not used and useful during the test  
12             year, as shown on Schedules JMM-4 and JMM-5.

13

14    ***Rate Base Adjustment No. 2 – Reclassification of Plant***

15    **Q.     Did Staff make an adjustment to reclassify plant?**

16    A.     Yes.

17

18    **Q.     What adjustment did Staff make?**

19    A.     The Company incorrectly included plant costs incurred for distribution and reservoirs in  
20             accounts numbers 304, "Structures and Improvements," and 331, "Transmission and  
21             Distribution Mains."

22

23    **Q.     Why did Staff make this adjustment?**

24    A.     Staff inspected the entire system and identified plant in service that had been classified  
25             incorrectly.

26

1 **Q. What is Staff's recommendation?**

2 A. Staff recommends reclassifying \$4,491 of plant costs incorrectly included in account  
3 number 307, "Wells and Springs," and reclassifying this amount to account number 311,  
4 "Electric Pumping Equipment." In addition, Staff recommends reclassifying \$1,856 of  
5 plant costs incorrectly included in account 331, "Transmission and Distribution Mains,"  
6 and reclassifies this amount to account number 334, "Meters," as shown on Schedules  
7 JMM-4 and JMM-6.

8

9 ***Rate Base Adjustment No. 3 – Accumulated Depreciation***

10 **Q. Did Staff make an adjustment to Accumulated Depreciation?**

11 A. Yes.

12

13 **Q. What adjustment did Staff make?**

14 A. Staff adjusted accumulated depreciation based on its aforementioned plant adjustments.

15

16 **Q. Why did Staff make this adjustment?**

17 A. Staff adjusted accumulated depreciation to reflect the Staff-recommended plant balances  
18 adjusted for removal of not used and useful plant and for reclassification of plant.

19

20 **Q. What is Staff's recommendation?**

21 A. Staff recommends decreasing accumulated depreciation by \$4,601, from \$1,625,282 to  
22 \$1,620,681 as shown on Schedules JMM-4 and JMM-7 page 1 of 7.

23

24 **Q. Would Staff like to make any additional comments about accumulated depreciation?**

25 A. Yes. Staff restated the Company's beginning accumulated depreciation balance.

26

1 **Q. Why did Staff make this adjustment?**

2 A. Upon review of the accumulated depreciation account balances determined in the  
3 Company's records, Staff discovered that two of the accounts had negative balances and  
4 one of the plant accounts had been over-depreciated. Staff's adjustment revises the two  
5 negative balances to reflect zero balances and revises the over-depreciated balance to  
6 reflect the proper amount of accumulated depreciation.  
7

8 **Q. What is Staff's recommendation?**

9 A. Staff recommends increasing the Company's beginning accumulated depreciation balance  
10 by \$16,919 from \$1,075,069 to \$1,091,988, as shown on Schedule JMM-7 page 2 of 7.  
11

12 ***Rate Base Adjustment No. 4 – Customer Deposits***

13 **Q. Did Staff make an adjustment to customer deposits?**

14 A. Yes.  
15

16 **Q. What adjustment did Staff make?**

17 A. Staff increased Customer Deposits by \$11,744.  
18

19 **Q. Why did Staff make this adjustment?**

20 A. Staff identified some Customer Deposits that were made in the test year but were not  
21 included in the rate application. Specifically, the Company only included customer meter  
22 deposits, and no other Customer Deposits.  
23

24 **Q. What is Staff's recommendation?**

25 A. Staff recommends increasing Customer Deposits by \$11,744 from \$116,769 to \$128,512,  
26 as shown on Schedules JMM-4 and JMM-8.

***Rate Base Adjustment No. 5 – Cash Working Capital***

**Q. Did Staff make an adjustment for Cash Working Capital?**

**A. Yes.**

**Q. What adjustment did Staff make?**

**A. Staff removed \$68,638 from Cash Working Capital.**

**Q. Why did Staff make this adjustment?**

**A. The Company is proposing a \$68,638 allowance for cash working capital based on a simple income statement approach, which takes 1/8 of the amount presented on the income statement for operations and maintenance expense and 1/24 of the amount for pumping power. This methodology is known as the formula method. Staff typically only allows cash working capital allowances calculated by the formula method for small class D and E utilities. The formula method always produces a positive cash working capital need. Utilities classified as A, B, or C are much larger and Staff believes that the formula method does not accurately reflect the related cash working capital needs. Typically Staff finds that proper lead/lag studies usually produce a negative cash working capital need.**

**Q. What recommendation is Staff making?**

**A. Staff is recommending that the allowance for cash working capital be disallowed, as a utility of this size should have presented a lead-lag study to establish an estimate of cash working capital. As a result, Staff is recommending a zero balance for cash working capital. Staff recommends decreasing working capital allowance by \$68,638 from \$68,638 to \$0, as shown on Schedules JMM-4 and JMM-9.**

**OPERATING INCOME**

**Operating Income Summary**

**Q. What are the results of Staff's analysis of test year revenues, expenses, and operating income?**

A. Staff's analysis resulted in adjusted test year operating revenues of \$675,251, operating expenses of \$629,925 and operating income of \$45,326, as shown on Schedules JMM-10 and JMM-11. Staff made six adjustments to operating expenses.

***Operating Income Adjustment No. 1 – Supplies Expense***

**Q. Did Staff make an adjustment to supplies expense?**

A. Yes.

**Q. What adjustment did Staff make?**

A. Staff's adjustment decreased supplies expense by \$201.

**Q. Why did Staff make this adjustment?**

A. Food and beverage costs were included in this account, and these costs are not necessary to the provision of water services.

**Q. What is Staff's recommendation?**

A. Staff recommends decreasing supplies expense by \$201 from \$8,857 to \$8,656, as shown on Schedules JMM-11 and JMM-12.

***Operating Income Adjustment No. 2 – Water Testing Expense***

**Q. Did Staff make an adjustment to water testing expense?**

A. Yes.

1     **Q.     What adjustment did Staff make to water testing expense?**

2     A.     Staff increased water testing expense by \$435.

3

4     **Q.     Why did Staff make this adjustment?**

5     A.     Staff adjusted water testing expense to reflect the level of costs as shown in the  
6           Engineering Report.

7

8     **Q.     What is Staff's recommendation?**

9     A.     Staff recommends increasing water testing cost by \$435 from \$4,968 to \$5,403, to better  
10          reflect the Company's ongoing level of water testing cost. Please see Schedules JMM-11  
11          and JMM-13.

12

13     *Operating Income Adjustment No. 3 – Rate Case Expense*

14     **Q.     Did Staff make an adjustment to rate case expense?**

15     A.     Yes.

16

17     **Q.     What adjustment did Staff make?**

18     A.     Staff's adjustment decreased rate case expense by \$9,979.

19

20     **Q.     Why did Staff make this adjustment?**

21     A.     Based on a Staff data request, the Company stated that these costs were related to legal  
22          fees incurred in the last rate case. Therefore, the \$9,979 should have been categorized as  
23          outside legal expenses in the rate case application. In any event, the remaining \$9,979 in  
24          legal fees is now paid off and the Company has not requested rate case fees for this case.  
25          As such, this is no longer representative of the Company's ongoing legal expenses. This  
26          expense should be removed.

1     **Q.     What is Staff's recommendation?**

2     A.     Staff recommends decreasing rate case expense by \$9,979, from \$9,979 to \$0, as shown  
3             on Schedules JMM-11 and JMM-14. The Company prepared this case as part of its  
4             normal duties and salaries.

5

6     ***Operating Income Adjustment No. 4 – Depreciation Expense***

7     **Q.     Did Staff make an adjustment to depreciation expense?**

8     A.     Yes.

9

10    **Q.     What adjustment did Staff make?**

11    A.     Staff adjusted depreciation expense to reflect the adjustments Staff made to plant in  
12             service based on the information provided in Staff's Engineering Report.

13

14    **Q.     What is Staff's recommendation?**

15    A.     Staff's adjustment decreases depreciation expense by \$7,700 from \$139,461 to \$131,761.  
16             Please see Schedule JMM-11 and JMM-15 for Staff's calculation.

17

18    ***Operating Income Adjustment No. 5 – Property Tax***

19    **Q.     Did Staff make an adjustment to property tax?**

20    A.     Yes.

21

22    **Q.     What adjustment does Staff recommend for test year property tax expense?**

23    A.     Staff's adjustment increased property tax expense by \$2,142 from \$25,327 to \$27,469,  
24             based upon Staff's adjusted test year revenues. Please see Schedule JMM-11 and Column  
25             A on Schedule JMM-16.



1     **Q.     What does Staff recommend for property tax expense on a going-forward basis?**

2     A.     Staff recommends increasing property tax expense by \$545 from \$27,469 to \$28,013,  
3           based upon Staff's recommended revenues. Please see Schedule JMM-10 and Column B  
4           on Schedule JMM-16.

5  
6     ***Operating Income Adjustment No. 6 – Income Tax***

7     **Q.     Did Staff make an adjustment to Income Tax?**

8     A.     Yes.

9  
10    **Q.     What adjustment did Staff make?**

11   A.     Staff increased income tax expense by \$12,424.

12  
13    **Q.     Why did Staff make this adjustment?**

14   A.     Based on Staff's other adjustments and application of state and federal income tax.

15  
16    **Q.     What is Staff's recommendation?**

17   A.     Staff's adjustment increased income tax expense by \$12,424 from \$45 to \$12,469. Please  
18           see Schedule JMM-11 and JMM-17 for Staff's calculation.

19  
20    **Q.     What does Staff recommend for income tax expense on a going-forward basis?**

21   A.     Staff recommends increasing income tax expense by \$13,388 from \$12,469 to \$25,857,  
22           based upon Staff's recommended revenues. Please see Schedule JMM-10, Column D.

**REVENUE REQUIREMENT**

**Q. How did Staff determine its recommended operating revenue?**

A. Staff utilized an operating margin instead of a rate of return on rate base to determine the revenue requirement. Based on Staff's numerous adjustments to plant in service and accumulated depreciation, the Company's rate base is not sufficient to produce an appropriate revenue requirement using rate of return. Therefore, Staff utilized an operating margin of 10 percent to determine the revenue requirement.

**RATE DESIGN**

**Q. Have you prepared a Schedule summarizing the present, Company-proposed, and Staff-recommended rates and service charges?**

A. Yes. A summary of the present, Company-proposed, and Staff-recommended rates and service charges are provided on Schedule JMM-18.

**Q. Would you please summarize the present monthly minimum rate design?**

A. The present monthly minimum charges by meter size are as follows: 5/8-inch is \$17.93; 3/4-inch is \$27.00; 1-inch is \$49.00; 1½-inch is \$92.00; 2-inch is \$145.00; 3-inch is \$285.00; 4-inch is \$448.25; 6-inch is \$896.50; 8-inch is \$1,793.00; and 10-inch is \$2,689.50. The charge for construction water per 1,000 gallons is \$4.75.

**Q. Would you please summarize the Company's proposed rate design?**

A. As the Company is not proposing a rate increase or decrease at this time, the Company has not provided a rate design.

1    **Q.    Would you please summarize Staff's recommended rate design?**

2    A.    Staff's recommended monthly minimum charges for all customer classes are as follows:  
3           5/8-inch is \$18.00; 3/4-inch is \$27.00; 1-inch is \$45.00; 1½-inch is \$90.00; 2-inch is  
4           \$144.00; 3-inch is \$288.00; 4-inch is \$450.00; 6-inch is \$900.00; 8-inch is \$1,440.00; and  
5           10-inch is \$2,070.00. The charge for construction water per 1,000 gallons would be  
6           \$4.93.

7  
8           Staff uses an inverted tier rate design that consists of three tiers for the 5/8 x 3/4-inch  
9           residential commodity rate of \$2.75 per thousand gallons for zero to 3,000 gallons, \$4.00  
10          per thousand gallons for 3,001 to 10,000 gallons, and \$4.90 per thousand gallons for any  
11          consumption over 10,000 gallons. Staff's larger residential and commercial commodity  
12          rates have two tiers and vary by meter size, set at \$4.00 per thousand gallons for the first  
13          tier, and \$4.90 per thousand gallons for any consumption over the first tier.

14  
15   **Q.    What is the rate impact on a typical 3/4-inch meter residential customer?**

16   A.    The typical 3/4-inch meter residential customer with a median usage of 2,139 gallons  
17          would experience a \$0.68 or a 2.76 percent decrease in his monthly bill, from \$24.56 to  
18          \$23.88, under Staff's recommended rates. A typical bill analysis is provided on Schedule  
19          JMM-19.

20  
21   **Q.    What water system service line and meter installation charges, and service charges**  
22   **does Staff recommend?**

23   A.    A comparison of the current charges for water system service line and meter installation  
24          charges, and service charges, as well as the Company's proposed changes and Staff's  
25          recommended changes, are presented on Schedule JMM-18. These charges are within the  
26          range that Staff typically finds to be reasonable and customary charges.

1     **Q.     Does this conclude your direct testimony?**

2     **A.     Yes, it does.**

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-1

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	(A) COMPANY FAIR VALUE	(B) STAFF FAIR VALUE
1	Adjusted Rate Base	\$ 957,645	\$ 445,278
2	Adjusted Operating Income (Loss)	\$ 42,447	\$ 45,326
4	Current Rate of Return (L2 / L1)	4.43%	NM 10.00
5	Required Operating Income	N/A	\$ 71,573
6	Required Operating Margin	N/A	10.00%
7	Required Rate of Return on Fair Value Rate Base	N/A	N/A
8	Operating Income Deficiency	N/A	\$ 26,247
9	Gross Revenue Conversion Factor	N/A	1.5308
10	Increase in Gross Revenue Requirement	N/A	<b>\$ 40,180</b>
11	Adjusted Test Year Revenue	\$ 675,251	\$ 675,251
12	Proposed Annual Revenue (L10 + L11)	N/A	\$ 715,431
13	Required Increase in Revenue (%)	N/A	5.95%
14	Rate of Return on Rate Base (L5 / L1)	N/A	16.07%

NM = Not Meaningful

N/A = Not Applicable

References:

Column [A]: Company Schedule A-1, Adjusted for Updated Test Year.

Column (B): Staff Schedules JMM-3 and JMM-10

GROSS REVENUE CONVERSION FACTOR

LINE NO.	DESCRIPTION	(A)	(B)	(C)	(D)
<u>Calculation of Gross Revenue Conversion Factor:</u>					
1	Billings	1.000000			
2	Uncollectible Factor	0.000000			
3	Revenues	1.000000			
4	Less: Combined Federal, State & Property Tax Rate (L18)	0.346756			
5	Subtotal (L3 - L4)	0.653244			
6	Revenue Conversion Factor (L1 / L5)	1.530821			
<u>Calculation of Effective Tax Rate:</u>					
7	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%			
8	Arizona State Income Tax Rate	6.9680%			
9	Federal Taxable Income (L7 - L8)	93.0320%			
10	Applicable Federal Income Tax Rate (Line 43)	28.8176%			
11	Effective Federal Income Tax Rate (L9 x L10)	26.8096%			
12	Combined Federal and State Income Tax Rate (L8 + L11)		33.7776%		
<u>Calculation of Effective Property Tax Rate:</u>					
13	Unity	100.0000%			
14	Combined Federal & State Income Tax Rate	33.7776%			
15	One Minus Combined Income Tax Rate	66.22237%			
16	Property Tax Factor	1.35597%			
17	Effective Property Tax Rate (L15 x L16)		0.89796%		
18	Combined Federal, State Income & Property Tax Rate (L12 + L17)			34.6756%	
19	Required Operating Income (Schedule JMM-1, Line 5)	\$ 71,573			
20	Adjusted Test Year Operating Income (Loss) (Schedule JMMI-11, Line 35)	\$ 45,326			
21	Required Increase in Operating Income (L19 - L20)	\$ 26,247	\$ 26,247		
22	Income Taxes on Recommended Revenue (Col. (D), L42)	\$ 25,857			
23	Income Taxes on Test Year Revenue (Col. (B), L42)	\$ 12,469			
24	Required Increase in Revenue to Provide for Income Taxes (L22 - L23)		\$ 13,388		
25	Property Tax with Recommended Revenue (JMM-16, Col B, L21)	\$ 28,013			
26	Property Tax on Test Year Revenue (JMM-16, Col A, L21)	\$ 27,469			
27	Increase in Property Tax Due to Increase in Revenue (L25-L26)		\$ 545		
28	Required Increase in Revenue (L21 + L24 + L27)			\$ 40,180	
<u>Calculation of Income Tax:</u>					
		Test Year		Staff Recommended	
29	Revenue (Schedule JMM-10, Columns C and E)	\$ 675,251		\$ 715,431	
30	Less: Operating Expenses Excluding Income Taxes	\$ 617,456		\$ 618,001	
31	Less: Synchronized Interest	\$ -		\$ -	
32	Arizona Taxable Income (L29 - L30 - L31)	\$ 57,795		\$ 97,430	
33	Arizona State Income Tax Rate	6.968%		6.968%	
34	Arizona Income Tax (L32 x L33)		\$ 4,027		\$ 6,789
35	Federal Taxable Income (L32 - L34)	\$ 53,768		\$ 90,641	
36	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500		\$ 7,500	
37	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 942		\$ 6,250	
38	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -		\$ 5,318	
39	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -		\$ -	
40	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -		\$ -	
41	Total Federal Income Tax	\$ 8,442		\$ 19,068	
42	Combined Federal and State Income Tax (L34 + L41)	\$ 12,469		\$ 25,857	
43	Applicable Federal Income Tax Rate [Col. (D), L35 - Col. (B), L35] / [Col. (C), L41 - Col. (A), L41]				28.8176%

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-3

RATE BASE - ORIGINAL COST

LINE NO.	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS	Adj. No.	(C) STAFF AS ADJUSTED
1	Plant in Service	\$ 4,669,687		\$ 4,233,102
2	Less: Accumulated Depreciation	1,625,282		1,620,681
3	Net Plant in Service	<u>\$ 3,044,405</u>		<u>\$ 2,612,420</u>
<u>LESS:</u>				
4	Contributions in Aid of Construction (CIAC)	\$ 278,641		\$ 278,641
5	Less: Accumulated Amortization	10,488		\$ 10,488
6	Net CIAC	<u>268,153</u>		<u>\$ 268,153</u>
7	Advances in Aid of Construction (AIAC)	1,770,477		1,770,477
8	Customer Deposits	116,769	11,744 4	128,512
9	Deferred Income Tax Credits	-	-	-
<u>ADD:</u>				
	<i>Working Capital Allowance</i>			
9	<del>Unamortized Debt Issuance Costs</del>	68,638	(68,638) 5	-
10	Deferred Regulatory Assets	-	-	-
11	Original Cost Rate Base	<u>\$ 957,645</u>	<u>\$ (512,366)</u>	<u>\$ 445,278</u>

References:

Column [A]: Company Application, Adjusted for Updated Test Year.  
Column [B]: Schedule JMM-4  
Column [C]: Column (A) + Column (B)

SUMMARY OF ORIGINAL COST RATE BASE ADJUSTMENTS

LINE NO.	ACCT. NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ #1 Plant Not Used And Useful Ref: Sch JMM-5	(C) ADJ #2 Reclassification of Plant Ref: Sch JMM-6	(D) ADJ #3 Accumulated Depreciation Ref: Sch JMM-7	(E) ADJ #4 Customer Deposits Ref: Sch JMM-8	(F) ADJ #5 Cash Working Capital Ref: Sch JMM-9	(G) STAFF ADJUSTED
<u>PLANT IN SERVICE</u>									
1	301	Organization Cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-	-	-	-	-
3	303	Land and Land Rights	33,498	-	-	-	-	-	33,498
4	304	Structures and Improvements	97,549	-	-	-	-	-	97,549
5	305	Collecting and Impounding Res.	-	-	-	-	-	-	-
6	306	Lake River and Other Intakes	-	-	-	-	-	-	-
7	307	Wells and Springs	377,071	(69,947)	(4,491)	-	-	-	302,633
8	308	Infiltration Galleries and Tunnels	-	-	-	-	-	-	-
9	309	Supply Mains	-	-	-	-	-	-	-
10	310	Power Generation Equipment	-	-	-	-	-	-	-
11	311	Electric Pumping Equipment	230,200	-	4,491	-	-	-	234,691
12	312	Water Treatment Equipment	3,553	-	-	-	-	-	3,553
13	320	Water Treatment Plant	-	-	-	-	-	-	-
14	320	Distribution Reservoirs & Standpipe	649,885	(352,253)	-	-	-	-	297,632
15	330	Transmission and Distribution Mains	2,668,587	(14,385)	(1,856)	-	-	-	2,652,345
16	331	Services	18,538	-	-	-	-	-	18,538
17	333	Meters	232,155	-	1,856	-	-	-	234,011
18	334	Hydrants	177,913	-	-	-	-	-	177,913
19	335	Backflow Prevention Devices	-	-	-	-	-	-	-
20	336	Other Plant and Miscellaneous Equipment	25,964	-	-	-	-	-	25,964
21	339	Office Furniture and Fixtures	45,864	-	-	-	-	-	45,864
22	340	Transportation Equipment	63,848	-	-	-	-	-	63,848
23	341	Stores Equipment	42,557	-	-	-	-	-	42,557
24	342	Tools and Work Equipment	-	-	-	-	-	-	-
25	343	Laboratory Equipment	-	-	-	-	-	-	-
26	344	Power Operated Equipment	2,083	-	-	-	-	-	2,083
27	345	Communications Equipment	-	-	-	-	-	-	-
28	346	Miscellaneous Equipment	422	-	-	-	-	-	422
29	347	Other Tangible Plant	-	-	-	-	-	-	-
30	348	Total Plant in Service - Actual	4,669,687	-	-	-	-	-	4,233,102
31		Post Test-Year Plant	-	-	-	-	-	-	-
32		Total Plant in Service	\$ 4,669,687	\$ (436,585)	\$ -	\$ -	\$ -	\$ -	\$ 4,233,102
33		Less: Accumulated Depreciation	1,625,282	-	(4,601)	-	-	-	1,620,681
34		Net Plant in Service	\$ 3,044,405	\$ (436,585)	\$ -	\$ 4,601	\$ -	\$ -	\$ 2,612,420
35									
36									
37									
38		LESS:							
39		Contributions in Aid of Construction (CIAC)	\$ 278,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 278,641
40		Less: Accumulated Amortization	10,488	-	-	-	-	-	10,488
41		Net CIAC (L25 - L26)	268,153	-	-	-	-	-	268,153
42		Advances in Aid of Construction (AIAC)	1,770,477	-	-	-	11,744	-	1,770,477
43		Customer Deposits	116,769	-	-	-	-	-	128,512
44		Deferred Income Taxes	-	-	-	-	-	-	-
45			-	-	-	-	-	-	-
46		ADD:							
47		Working Capital Allowance	68,638	-	-	-	-	(68,638)	-
48		Deferred Regulatory Assets	-	-	-	-	-	-	-
49			-	-	-	-	-	-	-
50			-	-	-	-	-	-	-
51		Original Cost Rate Base	\$ 957,645	\$ (436,585)	\$ -	\$ 4,601	\$ (11,744)	\$ -	\$ 445,278



RATE BASE ADJUSTMENT NO. 1 - NOT USED AND USEFUL PLANT

LINE NO.	ACCT NO.	DESCRIPTION	(A) Plant in Service Per Company	(B) Plant Not Used and Useful	(C) Plant in Service Per Staff (Col A + Col B)
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	33,498	-	33,498
4	304	Structures and Improvements	97,549	-	97,549
5	305	Collecting and Impounding Res.	-	-	-
6	306	Lake River and Other Intakes	-	-	-
7	307	Wells and Springs	377,071	(69,947)	307,124
8	308	Infiltration Galleries and Tunnels	-	-	-
9	309	Supply Mains	-	-	-
10	310	Power Generation Equipment	-	-	-
11	311	Electric Pumping Equipment	230,200	-	230,200
12	320	Water Treatment Equipment	3,553	-	3,553
13	330	Distribution Reservoirs & Standpipe	649,885	(352,253)	297,632
14	331	Transmission and Distribution Mains	2,668,587	(14,385)	2,654,202
15	333	Services	18,538	-	18,538
16	334	Meters	232,155	-	232,155
17	335	Hydrants	177,913	-	177,913
18	336	Backflow Prevention Devices	-	-	-
19	339	Other Plant and Miscellaneous Equipment	25,964	-	25,964
20	340	Office Furniture and Fixtures	45,864	-	45,864
21	341	Transportation Equipment	63,848	-	63,848
22	342	Stores Equipment	42,557	-	42,557
23	343	Tools and Work Equipment	-	-	-
24	344	Laboratory Equipment	-	-	-
25	345	Power Operated Equipment	2,083	-	2,083
26	346	Communications Equipment	-	-	-
27	347	Miscellaneous Equipment	422	-	422
28	348	Other Tangible Plant	-	-	-
29		Plant Held for Future Use	-	-	-
30		Total Plant	\$ 4,669,687	\$ (436,585)	\$ 4,233,102

Staff's Calculation			
Date	Account Number	Vender	Amount
7/26/2004	307 Wells and Springs	A to A Drilling	\$ 14,400
10/29/2004	307 Wells and Springs	Dana Kepner Co.	1,275.27
10/31/2004	307 Wells and Springs	Perkins Cinders, Inc.	328.00
1/7/2005	307 Wells and Springs	Murphy Engineering Group	730.00
6/29/2005	307 Wells and Springs	Hughes Supply	178.00
7/6/2005	307 Wells and Springs	Reed Supply Co.	2,220.50
11/8/2005	307 Wells and Springs	Home Depot	19.64
11/29/2005	307 Wells and Springs	A to A Drilling	13,000.00
12/20/2005	307 Wells and Springs	White Mtn Ready Mix, LLC	166.00
2/28/2006	307 Wells and Springs	Dana Kepner Co.	4,403.49
3/9/2006	307 Wells and Springs	Dana Kepner Co.	854.11
4/27/2006	307 Wells and Springs	A to A Drilling	11,200.00
4/27/2008	307 Wells and Springs	A to A Drilling	1,247.58
6/26/2006	307 Wells and Springs	Dana Kepner Co.	976.02
7/12/2006	307 Wells and Springs	A to A Drilling	10,000.00
8/31/2006	307 Wells and Springs	Dana Kepner Co.	272.48
9/10/2008	307 Wells and Springs	Mitchell Lewis & Straver Co.	2,800.00
9/10/2008	307 Wells and Springs	Mitchell Lewis & Straver Co.	2,306.13
9/10/2008	307 Wells and Springs	Mitchell Lewis & Straver Co.	3,570.00
Total			\$ 69,947.23
1/1/2006	330 Distribution Reservoirs & Standpipe	Ellis & Associates	\$ 8,500
4/1/2006	330 Distribution Reservoirs & Standpipe	Page Steel	61,750
6/1/2006	330 Distribution Reservoirs & Standpipe	Southwest Industrial Coatings, Inc.	11,660.39
9/25/2006	330 Distribution Reservoirs & Standpipe	Page Steel	141.7
9/28/2006	330 Distribution Reservoirs & Standpipe	Page Steel	109,525
9/29/2006	330 Distribution Reservoirs & Standpipe	Page Steel	139.75
10/3/2006	330 Distribution Reservoirs & Standpipe	Sherwin-Williams	1,154.16
10/4/2006	330 Distribution Reservoirs & Standpipe	Sherwin-Williams	94.22
10/29/2006	330 Distribution Reservoirs & Standpipe	Twelve Forty One Grading Inc.	79,387
12/6/2006	330 Distribution Reservoirs & Standpipe	Page Steel	77,253.31
3/7/2007	330 Distribution Reservoirs & Standpipe	Murphy Engineering Group	1,887.00
8/8/2007	330 Distribution Reservoirs & Standpipe	Murphy Engineering Group	760
Total			\$ 352,252.53
2/28/2006	331 Transmission and Distribution Mains	Dana Kepner Co.	4,820.15
10/31/2006	331 Transmission and Distribution Mains	Dana Kepner Co.	2,071.80
10/31/2008	331 Transmission and Distribution Mains	Dana Kepner Co.	7,493.50
			\$ 14,385.45

References:

Column [A]: Company Application, Adjusted for Updated Test Year.  
Column [B]: Testimony JMM  
Column [C]: Column [A] + Column [B]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-6

RATE BASE ADJUSTMENT NO. 2 - RECLASSIFICATION OF PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A]	[B]	[C]
			Plant in Service Per Company	Reclassification of Plant	PLANT In Service Per Staff (Col A + Col B)
1	301	Organization Cost	\$ -	\$ -	\$ -
2	302	Franchise Cost	-	-	-
3	303	Land and Land Rights	33,498	-	33,498
4	304	Structures and Improvements	97,549	-	97,549
5	305	Collecting and Impounding Res.	-	-	-
6	306	Lake River and Other Intakes	-	-	-
7	307	Wells and Springs	377,071	(4,491)	372,580
8	308	Infiltration Galleries and Tunnels	-	-	-
9	309	Supply Mains	-	-	-
10	310	Power Generation Equipment	-	-	-
11	311	Electric Pumping Equipment	230,200	4,491	234,691
12	320	Water Treatment Equipment	3,553	-	3,553
13	330	Distribution Reservoirs & Standpipe	649,885	-	649,885
14	331	Transmission and Distribution Mains	2,668,587	(1,856)	2,666,731
15	333	Services	18,538	-	18,538
16	334	Meters	232,155	1,856	234,011
17	335	Hydrants	177,913	-	177,913
18	336	Backflow Prevention Devices	-	-	-
19	339	Other Plant and Miscellaneous Equipment	25,964	-	25,964
20	340	Office Furniture and Fixtures	45,864	-	45,864
21	341	Transportation Equipment	63,848	-	63,848
22	342	Stores Equipment	42,557	-	42,557
23	343	Tools and Work Equipment	-	-	-
24	344	Laboratory Equipment	-	-	-
25	345	Power Operated Equipment	2,083	-	2,083
26	346	Communications Equipment	-	-	-
27	347	Miscellaneous Equipment	422	-	422
28	348	Other Tangible Plant	-	-	-
29		Plant Held for Future Use	-	-	-
30		Total Plant	\$ 4,669,687	\$ -	\$ 4,669,687

Staff's Calculation

Date	Account Number	Vender	Amount
10/20/2004	307 Wells and Springs	Reed Supply Co.	\$ 2,538.62
6/26/2006	307 Wells and Springs	Dana Kepner Co.	1,952.04
Total			\$ 4,490.66
5/14/2004	331 Transmission and Distribution Mains	Canyon Pipe & Supply Co.	\$ 371.13
5/18/2004	331 Transmission and Distribution Mains	Canyon Pipe & Supply Co.	1,484.99
Total			\$ 1,856.12

References:

Column [A]: Company Application, Adjusted for Updated Test Year.  
Column [B]: Testimony JMM  
Column [C]: Column [A] + Column [B]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-7  
Page 1 of 7

**RATE BASE ADJUSTMENT NO. 3 - ACCUMULATED DEPRECIATION**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Accumulated Depreciation	\$ 1,625,282	\$ (4,601)	\$1,620,681

References:

Column [A]: Company Application, Adjusted for Updated Test Year.

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

REMOVE NEGATIVE ACCUMULATED DEPRECIATION AND RESTATE BEGINNING BALANCE ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	(A) PLANT BALANCE LAST DECISION	(B) ACCUMULATED DEPRECIATION LAST DECISION	(C) STAFF ADJUSTMENTS	(D) STAFF BEGINNING ACCUMULATED DEP. AS ADJUSTED	(E) NET BOOK VALUE
303	Land and Land Rights	\$ 22,425	\$ -	\$ -	\$ -	\$ 22,425
304	Structures and Improvements	94,930	80,111		80,111	14,819
307	Wells and Springs	225,481	114,113		114,113	111,368
311	Electric Pumping Equipment	119,002	91,688		91,688	27,314
320	Water Treatment Equipment	-	-		-	-
330	Distribution Reservoirs & Standpipes	246,612	241,377		241,377	5,235
331	Transmission and Distribution Mains	1,057,174	386,843		386,843	670,331
333	Services	10,116	9,167		9,167	949
334	Meters	185,282	109,104		109,104	76,158
335	Hydrants	14,810	6,587		6,587	8,223
339	Other Plant & Miscellaneous Equipment	1,666	(29,984)	31,650	1,666	-
340	Office Furniture and Equipment	28,994	5,202		5,202	23,792
341	Transportation Equipment	57,148	7,044		7,044	50,104
343	Tools and Work Equipment	38,542	54,407	(15,865)	38,542	-
345	Power Operated Equipment	-	0		-	-
346	Communication Equipment	533	(601)	1,134	533	-
347	Miscellaneous Equipment	422	11		11	411
		\$ 2,103,117	\$ 1,075,069	\$ 16,919	\$ 1,091,988	\$ 1,011,129

References:

Column [A]: Company Application, Adjusted for Updated Test Year.

Column [B]: Company Application, Adjusted for Updated Test Year.

Column [C]: Testimony

Column [D]: Column [A] - Column [B]

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE  
ADJUSTED TO REMOVE NOT USED AND USEFUL, AND RECLASSIFY PLANT COSTS

Plant	31-Dec-03	31-Dec-03	Depreciation	2004	2004	2004	2004	2004	2004	2004	2004	2004
	Original Cost	Accumulated Depreciation adjusted	Rates	Additions	Staff Adjustments	Depr. Expense	Total Cost	Total Cost	Depreciation	Depreciation	Depreciation	Depreciation
303 Land and Land Rights	22,425	0	0.00%	0	0	0	22,425	22,425	0	0	0	0
304 Structures and Improvements	94,930	80,111	3.33%	0	0	3,161	94,930	94,930	83,272	0	83,272	83,272
307 Wells and Springs	225,481	114,113	3.33%	22,489	(21,081)	7,532	226,889	226,889	121,645	0	121,645	121,645
311 Electric Pumping Equipment	119,002	91,688	12.50%	0	5,078	15,193	124,080	124,080	106,881	0	106,881	106,881
320 Water Treatment Equipment	0	0	20.00%	0	0	0	0	0	0	0	0	0
330 Distribution Reservoirs & Standpipes	246,612	241,377	2.22%	0	0	5,235	246,612	246,612	246,612	0	246,612	246,612
331 Transmission and Distribution Mains	1,057,174	386,843	2.00%	211,087	(1,856)	23,236	1,266,405	1,266,405	410,079	0	410,079	410,079
333 Services	10,116	9,167	3.33%	0	0	337	10,116	10,116	9,504	0	9,504	9,504
334 Meters	185,262	109,104	8.33%	13,038	1,856	16,053	200,157	200,157	125,157	0	125,157	125,157
335 Hydrants	14,810	6,587	2.00%	9,986	0	396	24,796	24,796	6,983	0	6,983	6,983
339 Other Plant & Miscellaneous Equipment	1,666	1,666	6.67%	5,694	0	301	7,360	7,360	1,967	0	1,967	1,967
340 Office Furniture and Equipment	28,994	5,202	6.67%	7,532	0	2,185	36,525	36,525	7,387	0	7,387	7,387
341 Transportation Equipment	57,148	7,044	20.00%	0	0	11,430	57,148	57,148	18,474	0	18,474	18,474
343 Tools and Work Equipment	38,542	38,542	5.00%	0	0	0	38,542	38,542	38,542	0	38,542	38,542
345 Power Operated Equipment	0	0	5.00%	1,082	0	27	1,082	1,082	27	0	27	27
346 Communication Equipment	533	533	10.00%	0	0	0	533	533	533	0	533	533
347 Miscellaneous Equipment	422	11	10.00%	0	0	42	422	422	42	0	42	42
2004 Totals	\$2,103,117	\$1,091,988		\$270,909	(\$16,003)	\$85,127	\$2,358,023	\$2,358,023	\$1,177,115		\$1,177,115	\$1,177,115

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE  
ADJUSTED TO REMOVE NOT USED AND USEFUL, AND RECLASSIFY PLANT COSTS

	2005 Beginning Balance	2005 Additions	2005 Deletions	2005 Staff Adjustments	2005 Depreciation Exp.	2005 Ending Balance	2005 Accumulated Depreciation	2005 Net Book Value
303 Land and Land Rights	22,425	11,073	0	0	0	33,498	0	33,498
304 Structures and Improvements	94,930	0	0	0	3,161	94,930	86,433	8,496
307 Wells and Springs	226,889	34,977	0	(16,314)	7,866	245,553	129,511	116,041
311 Electric Pumping Equipment	124,080	4,623	0	0	15,799	128,703	122,680	6,024
320 Water Treatment Equipment	0	0	0	0	0	0	0	0
330 Distribution Reservoirs & Standpipes	246,612	0	0	0	0	246,612	246,612	0
331 Transmission and Distribution Mains	1,266,405	314,524	0	0	28,473	1,580,929	438,552	1,142,377
333 Services	10,116	0	0	0	337	10,116	9,841	275
334 Meters	200,157	6,841	0	0	16,950	206,798	142,106	64,692
335 Hydrants	24,796	41,126	0	0	907	65,921	7,890	58,031
339 Other Plant & Miscellaneous Equipment	7,360	0	0	0	491	7,360	2,458	4,902
340 Office Furniture and Equipment	36,525	2,360	0	0	2,515	38,885	9,902	28,983
341 Transportation Equipment	57,148	2,800	0	0	11,710	59,948	30,183	29,765
343 Tools and Work Equipment	38,542	0	0	0	0	38,542	38,542	0
345 Power Operated Equipment	1,082	0	0	0	54	1,082	81	1,001
346 Communication Equipment	533	0	0	0	0	533	533	0
347 Miscellaneous Equipment	422	0	0	0	42	422	95	327
2005 Totals	\$2,358,023	\$418,125	\$0	(\$16,314)	\$88,305	\$2,759,834	\$1,265,420	\$1,494,414

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE  
ADJUSTED TO REMOVE NOT USED AND USEFUL, AND RECLASSIFY PLANT COSTS

	2006 Beginning Balance	2006 Additions	2006 Deletions	2006 Staff Adjustments	2006 Depreciation Exp.	2006 Ending Balance	2006 Accumulated Depreciation	2006 Net Book Value
303 Land and Land Rights	33,498	0	0	0	0	33,498	0	33,498
304 Structures and Improvements	94,930	0	0	0	3,161	94,930	89,594	5,335
307 Wells and Springs	245,553	69,132	0	(30,906)	8,813	283,779	138,324	145,455
311 Electric Pumping Equipment	128,703	4,206	0	1,952	16,473	134,862	139,152	(4,291)
320 Water Treatment Equipment	0	3,196	0	0	320	3,196	320	2,876
330 Distribution Reservoirs & Standpipes	246,612	400,626	0	(349,606)	6,041	297,632	252,653	44,979
331 Transmission and Distribution Mains	1,580,929	116,325	0	(14,385)	32,638	1,682,869	471,190	1,211,679
333 Services	10,116	0	0	0	275	10,116	10,116	0
334 Meters	206,798	9,567	0	0	17,625	216,365	159,731	56,634
335 Hydrants	65,921	14,452	0	0	1,463	80,374	9,353	71,020
339 Other Plant & Miscellaneous Equipment	7,360	15,974	0	0	1,024	23,334	3,482	19,852
340 Office Furniture and Equipment	38,885	6,979	0	0	2,826	45,864	12,728	33,136
341 Transportation Equipment	59,948	7,900	0	0	12,780	67,848	42,963	24,885
343 Tools and Work Equipment	38,542	3,255	0	0	2,008	41,797	40,550	1,247
345 Power Operated Equipment	1,082	1,001	0	0	79	2,083	160	1,923
346 Communication Equipment	533	0	0	0	0	533	533	0
347 Miscellaneous Equipment	422	0	0	0	42	422	138	284
2006 Totals	\$2,759,834	\$652,612	\$0	(\$392,945)	\$105,568	\$3,019,501	\$1,370,988	\$1,648,513

PLANT AND ACCUMULATED DEPRECIATION SCHEDULE  
ADJUSTED TO REMOVE NOT USED AND USEFUL, AND RECLASSIFY PLANT COSTS

	2007 Beginning Balance	2007 Additions	2007 Deletions	2007 Staff Adjustments	2007 Depreciation Exp.	2007 Ending Balance	2007 Accumulated Depreciation	2007 Net Book Value
303 Land and Land Rights	33,498	0	0	0	0	33,498	0	33,498
304 Structures and Improvements	94,930	0	0	0	3,161	94,930	92,756	2,174
307 Wells and Springs	283,779	15,999	0	0	9,716	299,778	148,041	151,737
311 Electric Pumping Equipment	134,862	24,176	0	0	18,369	159,038	157,521	1,516
320 Water Treatment Equipment	3,196	357	0	0	675	3,553	994	2,558
330 Distribution Reservoirs & Standpipes	297,632	2,647	0	(2,647)	6,607	297,632	259,261	38,372
331 Transmission and Distribution Mains	1,682,869	713,201	0	0	40,789	2,396,070	511,980	1,884,090
333 Services	10,116	1,491	0	0	362	11,607	10,477	1,130
334 Meters	216,365	9,717	0	0	18,428	226,082	178,159	47,923
335 Hydrants	80,374	55,022	0	0	2,158	135,396	11,511	123,885
339 Other Plant & Miscellaneous Equipment	23,334	680	0	0	1,579	24,014	5,061	18,953
340 Office Furniture and Equipment	45,864	0	0	0	3,059	45,864	15,788	30,077
341 Transportation Equipment	67,848	0	0	0	13,570	67,848	56,532	11,316
343 Tools and Work Equipment	41,797	760	0	0	2,007	42,557	42,557	(0)
345 Power Operated Equipment	2,083	0	0	0	104	2,083	264	1,818
346 Communication Equipment	533	0	533	0	0	0	0	0
347 Miscellaneous Equipment	422	0	0	0	42	422	180	242
2007 Totals	\$3,019,501	\$824,050	\$533	(\$2,647)	\$120,626	\$3,840,371	\$1,491,081	\$2,349,289



PLANT AND ACCUMULATED DEPRECIATION SCHEDULE  
ADJUSTED TO REMOVE NOT USED AND USEFUL, AND RECLASSIFY PLANT COSTS

	2008 Beginning Balance	2008 Additions	2008 Deletions	2008 Staff Adjustments	2008 Depreciation Exp.	2008 Ending Balance	2008 Accumulated Depreciation	2008 Net Book Value
303 Land and Land Rights	33,498	0	0	0	0	33,498	0	33,498
304 Structures and Improvements	94,930	2,619	0	0	2,174	97,549	94,930	2,619
307 Wells and Springs	299,778	11,531	0	(8,676)	10,030	302,633	158,071	144,562
311 Electric Pumping Equipment	159,038	75,654	0	0	24,608	234,692	182,129	52,562
320 Water Treatment Equipment	3,553	0	0	0	711	3,553	1,705	1,848
330 Distribution Reservoirs & Standpipes	297,632	0	0	0	6,607	297,632	265,868	31,764
331 Transmission and Distribution Mains	2,396,070	256,275	0	0	50,484	2,652,345	562,464	2,089,881
333 Services	11,607	6,931	0	0	502	18,538	10,979	7,559
334 Meters	226,082	7,929	0	0	19,163	234,011	197,322	36,689
335 Hydrants	135,396	42,517	0	0	3,133	177,913	14,644	163,269
339 Other Plant & Miscellaneous Equipment	24,014	1,950	0	0	1,667	25,964	6,727	19,237
340 Office Furniture and Equipment	45,864	0	0	0	3,059	45,864	18,847	27,017
341 Transportation Equipment	67,848	0	4,000	0	11,316	63,848	63,848	0
343 Tools and Work Equipment	42,557	0	0	0	0	42,557	42,557	(0)
345 Power Operated Equipment	2,083	0	0	0	104	2,083	369	1,714
346 Communication Equipment	0	0	0	0	0	0	0	0
347 Miscellaneous Equipment	422	0	0	0	42	422	222	200
2008 Totals	\$3,840,371	\$405,406	\$4,000	(\$8,676)	\$133,600	\$4,233,102	\$1,620,681	\$2,612,419

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-8

RATE BASE ADJUSTMENT NO. 4 - CUSTOMER DEPOSITS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Customer Deposits	\$ 116,769	\$ 11,744	\$ 128,512

References:

Column [A]: Company Application, Adjusted for Updated Test Year.

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-9

RATE BASE ADJUSTMENT NO. 5 - WORKING CAPITAL ALLOWANCE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital	\$ 68,638	\$ (68,638)	\$ -

References:

Column [A]: Company Application, Adjusted for Updated Test Year.  
Column [B]: Testimony JMM  
Column [C]: Column [A] + Column [B]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-10

OPERATING INCOME STATEMENT - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY ADJUSTED TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	Adj. No.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF PROPOSED CHANGES	[E] STAFF RECOMMENDED
1	<b>REVENUES:</b>						
2	Metered Water Sales	\$ 667,543	\$ -		\$ 667,543	\$ 40,180	\$ 707,723
3	Water Sales-Unmetered	918	-		918	-	918
4	Other Operating Revenue	6,790	-		6,790	-	6,790
5	Intentionally Left Blank	-	-		-	-	-
6	<b>Total Operating Revenues</b>	<b>\$ 675,251</b>	<b>\$ -</b>		<b>\$ 675,251</b>	<b>\$ 40,180</b>	<b>\$ 715,431</b>
7							
8	<b>OPERATING EXPENSES:</b>						
9	Salaries and Wages	\$ 205,636	\$ -		\$ 205,636	\$ -	\$ 205,636
10	Purchased Water	-	-		-	-	-
11	Purchased Power	64,206	-		64,206	-	64,206
12	Fuel for Power Production	-	-		-	-	-
13	Chemicals	1,473	-		1,473	-	1,473
14	Repairs and Maintenance	44,381	-		44,381	-	44,381
15	Office Supplies and Expense	8,857	(201)	1	8,656	-	8,656
16	Outside Services	12,640	-		12,640	-	12,640
17	Outside Services - Other	-	-		-	-	-
18	Outside Services - Legal	-	-		-	-	-
19	Water Testing	4,968	435	2	5,403	-	5,403
20	Rents	19,332	-		19,332	-	19,332
21	Transportation Expenses	8,343	-		8,343	-	8,343
22	Insurance - General Liability	12,346	-		12,346	-	12,346
23	Insurance - Health and Life	27,229	-		27,229	-	27,229
24	Regulatory Commission Expense	-	-		-	-	-
25	Regulatory Commission Expense - Rate Case	9,979	(9,979)	3	-	-	-
26	General and Administrative	33,059	-		33,059	-	33,059
27	Bad Debt Expense	-	-		-	-	-
28	Depreciation Expense	139,461	(7,700)	4	131,761	-	131,761
29	Amortization of CIAC	-	-		-	-	-
30	Taxes Other than Income	15,522	-		15,522	-	15,522
31	Property Taxes	25,327	2,142	5	27,469	545	28,013
32	Income Taxes	45	12,424	6	12,469	13,388	25,857
33	Intentionally Left Blank	-	-		-	-	-
34	<b>Total Operating Expenses</b>	<b>\$ 632,804</b>	<b>\$ (2,879)</b>		<b>\$ 629,925</b>	<b>\$ 13,933</b>	<b>\$ 643,858</b>
35	<b>Operating Income (Loss)</b>	<b>\$ 42,447</b>	<b>\$ 2,879</b>		<b>\$ 45,326</b>	<b>\$ 26,247</b>	<b>\$ 71,573</b>

References:

Column (A): Company Application, Adjusted for Updated Test Year.  
Column (B): Schedule JMM-12  
Column (C): Column (A) + Column (B)  
Column (D): Schedules JMM-16 and JMM-17  
Column (E): Column (C) + Column (D)

SUMMARY OF OPERATING INCOME STATEMENT ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] Food and Beverage Expense ADJ #1 Ref. Sch JMM-12	[C] Water Testing Expense ADJ #2 Ref. Sch JMM-13	[D] Rate Case Expense ADJ #3 Ref. Sch JMM-14	[E] Depreciation Expense ADJ #4 Ref. Sch JMM-15	[F] Property Tax Expense ADJ #5 Ref. Sch JMM-16	[G] Income Tax Expense ADJ #6 Ref. Sch JMM-17	[H] STAFF ADJUSTED
1	REVENUES:								
2	Metered Water Sales	\$ 667,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 667,543
3	Water Sales-Unmetered	918	-	-	-	-	-	-	918
4	Other Operating Revenue	6,790	-	-	-	-	-	-	6,790
5	Intentionally Left Blank	-	-	-	-	-	-	-	-
6	Total Operating Revenues	\$ 675,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 675,251
7	OPERATING EXPENSES:								
8	Salaries and Wages	\$ 205,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,636
9	Purchased Water	64,206	-	-	-	-	-	-	64,206
10	Fuel for Power Production	-	-	-	-	-	-	-	-
11	Chemicals	1,473	-	-	-	-	-	-	1,473
12	Repairs and Maintenance	44,381	-	-	-	-	-	-	44,381
13	Office Supplies and Expense	8,857	(201)	-	-	-	-	-	8,656
14	Outside Services	12,640	-	-	-	-	-	-	12,640
15	Outside Services - Other	-	-	-	-	-	-	-	-
16	Outside Services - Legal	-	-	-	-	-	-	-	-
17	Water Testing	4,968	-	435	-	-	-	-	5,403
18	Rents	19,332	-	-	-	-	-	-	19,332
19	Transportation Expenses	8,343	-	-	-	-	-	-	8,343
20	Insurance - General Liability	12,346	-	-	-	-	-	-	12,346
21	Insurance - Health and Life	27,229	-	-	-	-	-	-	27,229
22	Regulatory Commission Expense - Rate Case	-	-	-	(9,979)	-	-	-	-
23	Regulatory Commission Expense - Administrative	33,059	-	-	-	-	-	-	33,059
24	Bad Debt Expense	139,461	-	-	-	(7,700)	-	-	131,761
25	Depreciation Expense	-	-	-	-	-	-	-	-
26	Amortization of CIAC	-	-	-	-	-	-	-	-
27	Taxes Other than Income	15,522	-	-	-	-	-	-	15,522
28	Property Taxes	25,327	-	-	-	-	2,142	-	27,469
29	Income Taxes	45	-	-	-	-	-	12,424	12,469
30	Intentionally Left Blank	-	-	-	-	-	-	-	-
31	Total Operating Expenses	\$ 632,804	\$ (201)	\$ 435	\$ (9,979)	\$ (7,700)	\$ 2,142	\$ 12,424	\$ 629,926
32	Operating Income (Loss)	\$ 42,447	\$ 201	\$ (435)	\$ 9,979	\$ 7,700	\$ (2,142)	\$ (12,424)	\$ 45,325

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-12

OPERATING ADJUSTMENT NO. 1 - OFFICE AND SUPPLIES EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Office Supplies and Expense	\$ 8,857	\$ (201)	\$ 8,656

References:

Column [A]: Company Application, Adjusted for Updated Test Year.

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-13

OPERATING ADJUSTMENT NO. 2 - WATER TESTING EXPENSE

Line No.	Description	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Water Testing	\$ 4,968	\$ 435	\$ 5,403

References:

Column [A]: Company Application, Adjusted for Updated Test Year.

Column [B]: Testimony JMM

Column [C]: Column [A] + Column [B]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-14

OPERATING INCOME ADJUSTMENT NO. 3 - RATE CASE EXPENSE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY PROPOSED	STAFF ADJUSTMENTS	STAFF RECOMMENDED
1	Rate Case Expense	\$ 9,979	\$ (9,979)	\$ -

References:

Column [A]: Company Application, Adjusted for Updated Test Year.

Column (B): Testimony JMM

Column (C): Column (A) + Column (B)



OPERATING INCOME ADJUSTMENT NO. 4 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] NonDepreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$ -	\$ 100	\$ (100)	0.00%	\$ -
2	302	Franchise Cost	\$ -	\$ -	\$ -	0.00%	\$ -
3	303	Land and Land Rights	\$ 33,498	\$ 1,284,595	\$ (1,251,097)	0.00%	\$ -
4	304	Structures and Improvements	\$ 97,549	\$ -	\$ 97,549	3.33%	\$ 3,248
5	305	Collecting and Impounding Res.	\$ -	\$ -	\$ -	2.50%	\$ -
6	306	Lake River and Other Intakes	\$ -	\$ -	\$ -	2.50%	\$ -
7	307	Wells and Springs	\$ 302,633	\$ -	\$ 302,633	3.33%	\$ 10,078
8	308	Infiltration Galleries and Tunnels	\$ -	\$ -	\$ -	6.67%	\$ -
9	309	Supply Mains	\$ -	\$ -	\$ -	2.00%	\$ -
10	310	Power Generation Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
11	311	Electric Pumping Equipment	\$ 234,891	\$ -	\$ 234,891	12.50%	\$ 29,336
12	320	Water Treatment Equipment	\$ 3,553	\$ -	\$ 3,553	3.33%	\$ 118
13	320	Water Treatment Plant	\$ -	\$ -	\$ -	3.33%	\$ -
14	330	Distribution Reservoirs & Standpipe	\$ 297,632	\$ -	\$ 297,632	2.22%	\$ 6,607
15	331	Transmission and Distribution Mains	\$ 2,652,345	\$ -	\$ 2,652,345	2.00%	\$ 53,047
16	333	Services	\$ 18,538	\$ -	\$ 18,538	3.33%	\$ 617
17	334	Meters	\$ 234,011	\$ -	\$ 234,011	8.33%	\$ 19,493
18	335	Hydrants	\$ 177,913	\$ -	\$ 177,913	2.00%	\$ 3,558
19	336	Backflow Prevention Devices	\$ -	\$ -	\$ -	6.67%	\$ -
20	339	Other Plant and Miscellaneous Equipment	\$ 25,964	\$ -	\$ 25,964	6.67%	\$ 1,732
21	340	Office Furniture and Fixtures	\$ 45,884	\$ -	\$ 45,884	6.67%	\$ 3,059
22	341	Transportation Equipment	\$ 63,848	\$ -	\$ 63,848	20.00%	\$ 12,770
23	342	Stores Equipment	\$ 42,557	\$ -	\$ 42,557	4.00%	\$ 1,702
24	343	Tools and Work Equipment	\$ -	\$ -	\$ -	5.00%	\$ -
25	344	Laboratory Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
26	345	Power Operated Equipment	\$ 2,083	\$ -	\$ 2,083	5.00%	\$ 104
27	346	Communications Equipment	\$ -	\$ -	\$ -	10.00%	\$ -
28	347	Miscellaneous Equipment	\$ 422	\$ -	\$ 422	10.00%	\$ 42
29	348	Other Tangible Plant	\$ -	\$ -	\$ -	10.00%	\$ -
30		Total Plant	\$ 4,233,102	\$ 1,284,695	\$ 2,948,407		\$ 145,513
31							
32		Composite Depreciation Rate (Depr Exp / Depreciable Plant):	4.94%				
33		CIAC: \$	278,641				
34		Amortization of CIAC (Line 32 x Line 33): \$	13,752				
35							
36		Depreciation Expense Before Amortization of CIAC: \$	145,513				
37		Less Amortization of CIAC: \$	13,752				
38		Test Year Depreciation Expense - Staff: \$	131,761				
39		Depreciation Expense - Company: \$	139,461				
40		Staff's Total Adjustment: \$	(7,700)				

References:

Column [A]: Schedule JMM-4  
Column [B]: From Column [A]  
Column [C]: Column [A] - Column [B]  
Column [D]: Engineering Staff Report  
Column [E]: Column [C] x Column [D]

Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
Test Year Ended December 31, 2008

Schedule JMM-16

OPERATING INCOME ADJUSTMENT NO. 5 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$ 675,251	\$ 675,251
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	1,350,502	\$ 1,350,502
4	Staff Recommended Revenue, Per Schedule JMM-W1	675,251	\$ 715,431
5	Subtotal (Line 4 + Line 5)	2,025,753	2,065,933
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	675,251	\$ 688,644
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	1,350,502	\$ 1,377,289
10	Plus: 10% of CWIP -	-	-
11	Less: Net Book Value of Licensed Vehicles	-	\$ -
12	Full Cash Value (Line 9 + Line 10 - Line 11)	1,350,502	\$ 1,377,289
13	Assessment Ratio	21.0%	21.0%
14	Assessment Value (Line 12 * Line 13)	283,605	\$ 289,231
15	Composite Property Tax Rate	9.6855%	9.6855%
16			\$ -
17	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$ 27,469	
18	Company Proposed Property Tax	25,327	
19			
20	Staff Test Year Adjustment (Line 16-Line 17)	\$ 2,142	
21	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$ 28,013
22	Staff Test Year Adjusted Property Tax Expense (Line 16)		\$ 27,469
23	Increase in Property Tax Expense Due to Increase in Revenue Requirement		\$ 545
24			
25	Increase to Property Tax Expense		\$ 545
26	Increase in Revenue Requirement		40,180
27	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		1.355970%

OPERATING INCOME ADJUSTMENT NO. 5 - TEST YEAR INCOME TAXES

LINE  
NO.

DESCRIPTION

1		
2		
3		
4	<u>Calculation of Income Tax:</u>	<u>Test Year</u>
5	Revenue (Schedule JMM-11)	\$ 675,251
6	Operating Expenses Excluding Income Taxes	\$ 617,456
7	Synchronized Interest (L17)	\$ -
8	Arizona Taxable Income (L1 - L2 - L3)	\$ 57,795
9	Arizona State Income Tax Rate	6.9680%
10	Arizona Income Tax (L4 x L5)	\$ 4,027
11	Federal Taxable Income (L4 - L6)	\$ 53,768
12	Federal Tax on First Income Bracket (\$1 - \$50,000) @ 15%	\$ 7,500
13	Federal Tax on Second Income Bracket (\$51,001 - \$75,000) @ 25%	\$ 942
14	Federal Tax on Third Income Bracket (\$75,001 - \$100,000) @ 34%	\$ -
15	Federal Tax on Fourth Income Bracket (\$100,001 - \$335,000) @ 39%	\$ -
16	Federal Tax on Fifth Income Bracket (\$335,001 - \$10,000,000) @ 34%	\$ -
17	Total Federal Income Tax	\$ 8,442
18	Combined Federal and State Income Tax (L44 + L51)	\$ 12,469
19		
26		
27	Income Tax - Per Staff	\$ 12,469
28	Income Tax - Per Company	\$ 45
29	Staff Adjustment	\$ 12,424

**RATE DESIGN**

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8x3/4" Meter	\$ 17.93	\$ 17.93	\$ 18.00
3/4" Meter	27.00	27.00	27.00
1" Meter	49.00	49.00	45.00
1 1/2" Meter	92.00	92.00	90.00
2" Meter	145.00	145.00	144.00
3" Meter	285.00	285.00	288.00
4" Meter	448.25	448.25	450.00
6" Meter	896.50	896.50	900.00
8" Meter	1,793.00	1,793.00	1,440.00
10" Meter	2,689.50	2,689.50	2,070.00
<b>Commodity Rates per 1,000 Gallons (Residential, Commercial, Industrial)</b>			
<u>5/8 and 3/4 Inch Meter</u>			
0 gallons to 3,000 gallons	\$ 3.10	\$ 3.10	\$ 2.75
3,001 gallons to 20,000 gallons	3.66	3.66	N/A
Over 20,000 gallons	4.20	4.20	N/A
3,001 gallons to 10,000 gallons	N/A	N/A	4.00
Over 10,000 gallons	N/A	N/A	4.90
<u>1 Inch Meter</u>			
0 gallons to 30,000 gallons	3.10	3.10	N/A
30,001 gallons to 75,000 gallons	3.66	3.66	N/A
Over 75,000 gallons	4.20	4.20	N/A
0 gallons to 24,000 gallons	N/A	N/A	4.00
Over 24,000 gallons	N/A	N/A	4.90
<u>1.5 Inch Meter</u>			
0 gallons to 50,000 gallons	3.10	3.10	N/A
50,001 gallons to 100,000 gallons	3.66	3.66	N/A
Over 100,000 gallons	4.20	4.20	N/A
0 gallons to 65,000 gallons	N/A	N/A	4.00
Over 65,000 gallons	N/A	N/A	4.90
<u>2 Inch Meter</u>			
0 gallons to 120,000 gallons	3.10	3.10	N/A
120,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 113,000 gallons	N/A	N/A	4.00
Over 113,000 gallons	N/A	N/A	4.90
<u>3 Inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 240,000 gallons	N/A	N/A	4.00
Over 240,000 gallons	N/A	N/A	4.90
<u>4 Inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 385,000 gallons	N/A	N/A	4.00
Over 385,000 gallons	N/A	N/A	4.90
<u>6 Inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 795,000 gallons	N/A	N/A	4.00
Over 795,000 gallons	N/A	N/A	4.90
<u>8 Inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 1,285,000 gallons	N/A	N/A	4.00
Over 1,285,000 gallons	N/A	N/A	4.90

RATE DESIGN (CONTINUED)

	Present Rates		Staff Recommended Rates		
<u>10 Inch Meter</u>					
0 gallons to 150,000 gallons	\$ 3.10	\$ 3.10			N/A
150,001 gallons to 250,000 gallons	3.66	3.66			N/A
Over 250,000 gallons	4.20	4.20			N/A
0 gallons to 1,850,000 gallons	N/A	N/A	\$	4.00	
Over 1,850,000 gallons	N/A	N/A		4.90	
<u>Construction Water - All Usage per 1,000 Gallons</u>	4.75	4.75		4.90	
			Staff Service Line Charge	Staff Meter Installation Charge	Total Staff Charge
<u>Service Line and Meter Installation Charges</u>					
5/8" x 3/4" Meter	\$ 475.00	\$ 475.00	\$ 445.00	\$ 155.00	\$ 600.00
3/4" Meter	550.00	550.00	445.00	255.00	700.00
1" Meter	650.00	650.00	495.00	315.00	810.00
1 1/2" Meter	900.00	900.00	525.00	550.00	1,075.00
2" Turbine Meter	1,550.00	1,550.00	830.00	1,045.00	1,875.00
2" Compound Meter	2,300.00	2,300.00	830.00	1,890.00	2,720.00
3" Turbine Meter	2,200.00	2,200.00	1,095.00	1,620.00	2,715.00
3" Compound Meter	3,100.00	3,100.00	1,210.00	2,500.00	3,710.00
4" Turbine Meter	3,600.00	3,600.00	1,560.00	2,600.00	4,160.00
4" Compound Meter	4,400.00	4,400.00	1,715.00	3,600.00	5,315.00
6" Turbine Meter	6,200.00	6,200.00	2,235.00	5,000.00	7,235.00
6" Compound Meter	7,900.00	7,900.00	2,350.00	6,900.00	9,250.00
8" Turbine Meter	7,543.00	7,543.00	Cost	Cost	Cost
8" Compound Meter	7,980.00	7,980.00	Cost	Cost	Cost
10" Turbine Meter	9,629.00	9,629.00	Cost	Cost	Cost
10" Compound Meter	11,278.00	11,278.00	Cost	Cost	Cost
<u>Service Charges</u>					
Establishment - Regular Hours	\$ 20.00	\$ 20.00			\$ 20.00
Establishment (After Hours)	35.00	35.00			35.00
Re-Establishment Fee (Within 12 Months)	*	*			*
Re-Connection of Service - Regular Hours	15.00	15.00			15.00
Re-Connection of Service - After Hours	30.00	30.00			30.00
Water Meter Test - If Correct	20.00	20.00			20.00
Water Meter Relocation at Customer Request	Cost (1)	Cost (1)			Cost (1)
Meter Re-read (if Correct)	**	15.00			15.00
NSF Check Charge	25.00	25.00			25.00
Late Charge	1.50%	1.50%			1.50%
Deferred Payment Finance Charge	1.50%	1.50%			1.50%
Service Calls - Regular Hours	No Charge	No Charge			No Charge
Service Calls - After Hours	\$ 25.00	\$ 25.00			\$ 25.00
Deposits Requirements	***	***			***
Deposit Interest	6%	6%			6%

\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\* Per Commission rule A.A.C. R14-2-408(C).

\*\*\* Per Commission rule A.A.C. R14-2-403(E).

Note:

(1) Cost Includes Materials, Labor and Overheads

**Typical Bill Analysis**  
General Service 5/8 x 3/4-Inch Meter

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	3,944	\$ 30.69	\$ 30.69	\$ -	0.00%
Median Usage	2,139	24.56	24.56	\$ -	0.00%
<b>Staff Recommended</b>					
Average Usage	3,944	\$ 30.69	\$ 30.03	\$ (0.66)	-2.15%
Median Usage	2,139	24.56	23.88	\$ (0.68)	-2.76%

**Present & Proposed Rates (Without Taxes)**  
General Service 5/8 x 3/4-Inch Meter

Gallons Consumption	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
-	\$ 17.93	\$ 17.93	0.00%	\$ 18.00	0.39%
1,000	21.03	21.03	0.00%	20.75	-1.33%
2,000	24.13	24.13	0.00%	23.50	-2.61%
3,000	27.23	27.23	0.00%	26.25	-3.60%
4,000	30.89	30.89	0.00%	30.25	-2.07%
5,000	34.55	34.55	0.00%	34.25	-0.87%
6,000	38.21	38.21	0.00%	38.25	0.10%
7,000	41.87	41.87	0.00%	42.25	0.91%
8,000	45.53	45.53	0.00%	46.25	1.58%
9,000	49.19	49.19	0.00%	50.25	2.15%
10,000	52.85	52.85	0.00%	54.25	2.65%
11,000	56.51	56.51	0.00%	59.15	4.67%
12,000	60.17	60.17	0.00%	64.05	6.45%
13,000	63.83	63.83	0.00%	68.95	8.02%
14,000	67.49	67.49	0.00%	73.85	9.42%
15,000	71.15	71.15	0.00%	78.75	10.68%
16,000	74.81	74.81	0.00%	83.65	11.82%
17,000	78.47	78.47	0.00%	88.55	12.85%
18,000	82.13	82.13	0.00%	93.45	13.78%
19,000	85.79	85.79	0.00%	98.35	14.64%
20,000	89.45	89.45	0.00%	103.25	15.43%
25,000	110.45	110.45	0.00%	127.75	15.68%
30,000	131.45	131.45	0.00%	152.25	15.82%
35,000	152.45	152.45	0.00%	176.75	15.94%
40,000	173.45	173.45	0.00%	201.25	16.03%
45,000	194.45	194.45	0.00%	225.75	16.10%
50,000	215.45	215.45	0.00%	250.25	16.15%
75,000	320.45	320.45	0.00%	372.75	16.32%
100,000	425.45	425.45	0.00%	495.25	16.41%

**BEFORE THE ARIZONA CORPORATION COMMISSION**

KRISTIN K. MAYES  
Chairman  
GARY PIERCE  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BOB STUMP  
Commissioner

IN THE MATTER OF THE APPLICATION OF )  
PINEVIEW WATER COMPANY FOR AN )  
APPROVAL INCREASE IN ITS WATER RATES )

---

DOCKET NO. W-01676A-08-0366

DIRECT  
TESTIMONY  
OF  
DOROTHY HAINS, P.E.  
UTILITIES ENGINEER  
ARIZONA CORPORATION COMMISSION  
UTILITIES DIVISION

DECEMBER 03, 2009

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## EXHIBITS

ENGINEERING REPORT FOR PINEVIEW .....	DMH-1
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1     **INTRODUCTION**

2     **Q.     Please state your name and business address.**

3     A.     My name is Dorothy Hains. My business address is 1200 West Washington Street,  
4           Phoenix, Arizona 85007.

5  
6     **Q.     By whom and in what position are you employed?**

7     A.     I am employed by the Arizona Corporation Commission ("Commission" or "ACC") as a  
8           Utilities Engineer - Water/Wastewater in the Utilities Division.

9  
10    **Q.     How long have you been employed by the Commission?**

11   A.     I have been employed by the Commission since January 1998.

12  
13    **Q.     What are your responsibilities as a Utilities Engineer - Water/Wastewater?**

14   A.     My main responsibilities are to inspect, investigate and evaluate water and wastewater  
15           systems. This includes obtaining data, preparing reconstruction cost new and/or original  
16           cost studies and investigative reports, interpreting rules and regulations, and to suggest  
17           corrective action and provide technical recommendations on water and wastewater system  
18           deficiencies. I also provide written and oral testimony in rate cases and other cases before  
19           the Commission.

20  
21    **Q.     How many companies have you analyzed for the Utilities Division?**

22   A.     I have analyzed more than 90 companies covering these various responsibilities for  
23           Utilities Division Staff ("Staff").

24  
25    **Q.     Have you previously testified before this Commission?**

26   A.     Yes, I have testified on numerous occasions before this Commission.

1     **Q.     What is your educational background?**

2     A.     I graduated from the University of Alabama in Birmingham in 1987 with a Bachelor of  
3             Science degree in Civil Engineering.

4  
5     **Q.     Briefly describe your pertinent work experience.**

6     A.     Before my employment with the Commission, I was an Environmental Engineer for the  
7             Arizona Department of Environmental Quality ("ADEQ") for ten years. Prior to that time,  
8             I was an Engineering Technician with C. F. Hains, Hydrology in Northport, Alabama for  
9             approximately five years.

10  
11    **Q.     Please state your professional membership, registrations, and licenses.**

12    A.     I have been a registered Civil Engineer in Arizona since 1990. I am a member of the  
13             American Society of Civil Engineering ("ASCE"), American Water Works Association  
14             ("AWWA") and Arizona Water Association ("AWA").

15  
16    **PURPOSE OF TESTIMONY**

17    **Q.     What was your assignment in this rate proceeding?**

18    A.     My assignment was to provide Staff's engineering evaluation of the subject Pineview  
19             Water Company ("Company") rate proceeding.

20  
21    **Q.     What is the purpose of your testimony in this proceeding?**

22    A.     To present the findings of Staff's engineering evaluation of operations in the Company's  
23             system. The findings are contained in the Engineering Report that I have prepared for this  
24             proceeding. The report is included as Exhibits DMH-1 in this pre-filed testimony.

25

**ENGINEERING REPORTS**

**Q. Would you briefly describe what was involved in preparing your Engineering Reports for this rate proceeding?**

A. After reviewing the application, I physically inspected the system to evaluate its operation and to determine if any plant items were not used and useful. I contacted ADEQ to determine if the water system was in compliance with the Safe Drinking Water Act water quality requirements. After I obtained information from the Company regarding plant improvements, chemical testing expense and data of water usage, I analyzed that information. Based on the data, I prepared the attached Engineering Reports. I also contacted Arizona Department of Water Resources ("ADWR") to determine if the water system was in compliance with the ADWR's requirements governing water providers.

**Q. Please describe the information contained in your Engineering Report.**

A. The Reports are divided into three general sections: 1) Executive Summary; 2) Engineering Report Discussion, and 3) Engineering Report Exhibit. The Discussions section for Pineview Water Company can be further divided into ten subsections: A) Introduction and Location of Company; B) Description of the Water System; C) ADEQ ; D) ACC Compliance; E) ADWR compliance; F) Water Testing Expenses, G) Water Usage, H) Growth; I) Depreciation Rates; J) Other Issues. These subsections provide information about the water system serving the Company.

**RECOMMENDATIONS AND CONCLUSIONS**

**Q. What are Staff's recommendations and conclusions regarding the Company's operations?**

A. Staff's recommendations and conclusions are as follows:

**Recommendations**

- I. Staff recommends the depreciation rates for the Company presented in Figure 6 by National Association of Regulatory Commissioners' ("NARUC") account.
- II. Staff agrees with the Company that the charges for meter and service line installation be set at zero for all meter sizes.
- III. Lost water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, fire fighting, and flushing. Lost water for the Company was calculated to be 18.6 percent which exceeds acceptable limits. Staff recommends that the Company reduce its water loss to below 10 percent by December 31, 2010, or before it files its next rate increase application and/or Certificate of Convenience and Necessity ("CC&N") application, whichever comes first. Staff further recommends that the Company begin water loss monitoring and take action to reduce water loss to less than 10 percent. Staff further recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce water losses to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. In any event water loss shall not exceed 15 percent. The water loss reduction report or the detailed cost analysis, whichever is submitted, shall be docketed as a compliance item by January 31, 2011.

- 1 IV. Staff considers the reported water testing expenses and the estimated water testing  
2 costs of \$5,655 for the Company reasonable.  
3
- 4 V. Staff recommends that a total of \$69,947.23 for Well No. 4B should be removed  
5 from this rate base.  
6
- 7 VI. Staff recommends that \$366,637.98 for the 2 MG tank be removed from rate  
8 base.  
9
- 10 VII. Staff recommends \$1,856.12 (in 2004) be reclassified from Well Account to  
11 Pumping Equipment Account  
12
- 13 VIII. Staff recommends \$1,856.12 (in 2004) be reclassified from Transmission &  
14 Mains Account to Meter Account.  
15
- 16 IX. Staff recommends \$1,952.04 (in 2006) be reclassified from Well Account to  
17 Pumping Equipment Account.  
18

19 **Conclusions:**

- 20 I. ADEQ has determined that the Company is currently delivering water that meets  
21 the water quality standards required by Arizona Administrative Code, Title 18,  
22 Chapter 4.  
23
- 24 II. ADWR has determined that the Company is not within any ADWR Active  
25 Management Area and is in compliance with the ADWR requirements governing  
26 water providers.

1           III.    The Company has an approved cross connection and backflow tariff.

2

3           IV.    The Company has adequate storage and well production to serve its existing  
4           customers and reasonable growth.

5

6           V.    The Company has an approved curtailment tariff.

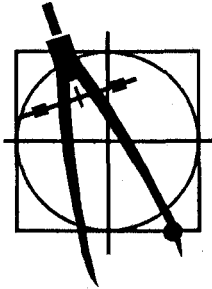
7

8           VI.    A check with the Utilities Division Compliance Section showed the Company  
9           has no outstanding compliance issues.

10

11    **Q.    Does this conclude your Direct Testimony?**

12    **A.    Yes, it does.**



**Engineering Report  
For Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366  
(Rate Application)**

**By Dorothy Hains**

**September 4, 2009**

**EXECUTIVE SUMMARY**

**Recommendations:**

- I. Staff recommends the depreciation rates for Pineview Company ("Pineview") presented in Figure 6 by National Association of Regulatory Commissioners' ("NARUC") account. (See §I of report for discussion and details.)
- II. Staff agrees with the Company that the charges for meter and service line installation be set at zero for all meter sizes. (See §J of report for discussion and details.)
- III. Lost water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, fire fighting, and flushing. Lost water for Pineview was calculated to be 18.6 percent which exceeds acceptable limits. Staff recommends that the Company reduce its water loss to below 10 percent by December 31, 2010, or before it files its next rate increase application and/or Certificate of Convenience and Necessity ("CC&N") Extension application, whichever comes first. Staff further recommends that the Company begin water loss monitoring and take action to reduce water loss to less than 10 percent. Staff further recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce water losses to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. In any event water loss shall not exceed 15 percent. The water loss reduction report or the detailed cost analysis, whichever is submitted, shall be docketed as a compliance item by January 31, 2011. (See §G of report for discussion and details.)
- IV. Staff considers the reported water testing expenses and the estimated water testing costs of \$5,655 for Pineview reasonable. (See §F of report for discussion and details.)

- V. Staff recommends that a total of \$69,947.23 for Well No. 4B should be removed from this rate base. (See §J of report for discussion and details.)
- VI. Staff recommends that \$366,637.98 for the 2 MG tank be removed from rate base. (See §J of report for discussion and details.)
- VII. Staff recommends \$2,538.62 (in 2004) be reclassified from Well Account to Pumping Equipment Account. (See §J of report for discussion and details.)
- VIII. Staff recommends \$1,856.12 (in 2004) be reclassified from Transmission & Mains Account to Meter Account. (See §J of report for discussion and details.)
- IX. Staff recommends \$1,952.04 (in 2006) be reclassified from Well Account to Pumping Equipment Account. (See §J of report for discussion and details.)

**Conclusions:**

- I. Arizona Department of Environmental Quality ("ADEQ") has determined that Pineview is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. (See §C for a discussion and details.)
- II. Arizona Department of Water Resource ("ADWR") has determined that Pineview is not within any ADWR Active Management Area and is in compliance with the ADWR requirements governing water providers. (See §E of report for discussion and details.)
- III. Pineview has an approved cross connection and backflow tariff. (See §J of report for discussion and details.)
- IV. Pineview has adequate storage and well production to serve its existing customers and reasonable growth. (See §B of report for discussion and details.)
- V. Pineview has an approved curtailment tariff. (See §J of report for discussion and details.)
- VI. A check with the Utilities Division Compliance Section showed Pineview has no outstanding compliance issues. (See §D of report for discussion and details.)



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## A. INTRODUCTION AND LOCATION OF COMPANY

On July 18, 2008, Pineview Water Company, Inc. ("Pineview" or "Company") filed an application with the Arizona Corporation Commission ("Commission" or "ACC") to increase its rates. On April 23, 2009, Pineview's rate application was found sufficient. This report presents Commission Staff's engineering analysis, conclusions and recommendations in this matter.

Pineview serves water to approximately 1,130 customers and is located between the City of Show Low and the City of Lakeside in Navajo County. Figure 1 describes the Certificate of Convenience and Necessity ("CC&N") area of Pineview, and Figure 2 describes the location of Pineview.

## B. DESCRIPTION OF THE WATER SYSTEM

The plant facilities were visited on May 12, 2009, by Dorothy Hains, Utilities Engineer, accompanied by Company representative, Ronald McDonald (the Company's General Manager).

### System Analysis

Pineview consists of five drinking water wells that are capable of producing a total flow of 658 gallons per minute ("GPM") and 570,000 gallons of storage capacity. The water system has adequate storage and well production to serve its existing customers and reasonable growth. The Company has installed interconnections to the Arizona Water Company Lakeside System and the City of Show Low System for use in an emergency. Figures 3A and 3B provide a process schematic showing both the active and inactive components of the water system.

Active Drinking Water Wells

Well #	ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)
3A	55-608846	1977	8	800	3	40	115
3B	55-565467	1997	10	820	3	40	130
4A	55-521710	1988	8	750	4	40	113
4D	55-208625	2007	12	720	4	40	150
4C	55-208626	2008	12	720	4	40	150

#### In-active Wells

Well #	ADWR No.	Year Drilled	Casing Size (inches)	Well Depth (ft)	Well Meter Size (inches)	Pump (HP)	Pump Yield (GPM)	Year Abandoned
2	55-608847	1962	6	660	3	30	115	2007
4B	N/A	2004	N/A	N/A	N/A	N/A	N/A	2004

#### Active Storage, Pumping

Location	Structure or equipment	Capacity
Well 4B Site	Storage Tank	100,000gal (only 70,000 gal is useful.)
Well 4A Site	Booster Pumps	Two 15-HP and One 40-HP (using for fire flow only)
	Storage Tank	One 250,000 gal
	Pressure Tank	One 5,000 gal
Well 3A & 3B Site (Maintenance Yard)	Booster Pumps	Two 15-HP (Pump Station #1) Two 40-HP # One 15-HP (Pump Station #2)
	Pressure Tank	Two 5,000 gal
	Storage Tank	One 250,000 gal

#### In-active Storage, Pumping

Location	Structure or equipment	Capacity
Star Light Ridge Subdivision	Storage Tank	One 2,000,000 gal
Well #2 Site	Storage Tank	40,000 gal

#### Distribution Mains

Diameter (inches)	Material	Length (feet)
1	Poly Pipe	200
2	Poly Pipe	641
2	polyvinyl chloride ("PVC")	6,560
2	steel	150
3	Asbestos Cement Pipe ("ACP")	760
4	PVC	18,630
4	ACP	23,700
6	PVC	91,038
6	ACP	3,750
8	PVC	25,424
12	PVC	13,777

Meters

Size (inches)	Quantity
$\frac{5}{8} \times \frac{3}{4}$	1,009
$\frac{3}{4}$	96
1	34
$1\frac{1}{2}$	7
2	26
3 (Turbo)	0
3 (Comp)	3
4 (Turbo)	0
4 (Comp)	0
6 (Turbo)	0
6 (Comp)	0

**C. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE**

ADEQ has determined that Pineview is currently in full compliance with its requirements.<sup>1</sup> ADEQ further states that Pineview is currently delivering water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

**D. ACC COMPLIANCE**

A check of the Utilities Division Compliance database showed there were no delinquent compliance items for the Company.

**E. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE**

Pineview is not located in any Active Management Area, as designated by ADWR. ADWR has determined that the Company is currently in compliance with departmental requirements governing water providers and/or community water systems.<sup>2</sup>

**F. WATER TESTING EXPENSES**

Pineview is subject to mandatory participation in the ADEQ Monitoring Assistance Program ("MAP"). Staff calculated the testing costs based on the following assumptions:

<sup>1</sup> ADEQ compliance status report dated September 30, 2008.

<sup>2</sup> ADWR compliance status report dated January 26, 2009.

1. MAP will do baseline testing on everything except copper, lead, bacteria and disinfection by-products.
2. ADEQ testing is performed in 3-year compliance cycles. Therefore, monitoring costs are estimated for a 3-year compliance period and then presented as a pro forma expense on an annualized basis.
3. All monitoring expenses are based on Staff's best knowledge of lab costs and methodology and two point-of-entry.
4. The estimated water testing expenses represent a minimum cost based on no "hits" other than lead and copper, and assume compositing of well samples. If any constituents were found, then the testing costs would dramatically increase.

Table 1 shows the estimated annual monitoring expense, assuming participation in the MAP program. Water testing expenses should be adjusted to the annual expense amount of \$5,655 (rounded) as shown in Table 1.

**Table 1 Water Testing Cost (Pineview)**

Monitoring – 5 wells & 2 point of entries (Tests per 3 years, unless noted.)	Cost per test	No. of tests per three year period	Total cost per three year period	Annual Cost
Bacteriological – monthly	\$20	180	\$3,600	\$1,200
Inorganics – Priority Pollutants	\$300	MAP	MAP	MAP
Radiochemical – (1/ 4 yr)	\$60	MAP	MAP	MAP
Phase II and V:				
IOC's, SOC's, VOC's	\$2,805	MAP	MAP	MAP
Nitrites	\$20	MAP	MAP	MAP
Nitrates – annual	\$40	6	MAP	MAP
Asbestos – per 9 years	\$0	2½	MAP	MAP
Lead & Copper – annual	\$13	60	\$780	\$260
TTHM/HHAs – per 3 years	\$310	6	\$1,860	\$620
Maximum chlorine residual levels	\$15	72	\$1,080	\$360
MAP fees (annual)				\$3,215.22
<b>Total</b>				<b>\$5,655.22</b>

## **G. WATER USAGE**

Figure 4 is a graph that shows water consumption data in gallons per day ("GPD") per customer for the system for the test year period of January 2008 through December 2008.

### **1. Water Sold**

Based on information provided by the Company, water use for the year 2008 is presented in Figure 4. The high monthly water use was 385 gallons per day ("GPD") per connection in July, and the low monthly water use was 144 GPD per connection in March. The average annual use was 233 GPD per connection.

### **2. Lost Water**

Lost water should be 10 percent or less and never more than 15 percent. It is important to be able to reconcile the difference between water sold and the water produced by the source. A water balance will allow a water company to identify water and revenue losses due to leakage, fire fighting, and flushing. Lost water for Pineview was calculated to be 18.6 percent which exceeds acceptable limits.

Staff recommends that the Company reduce its water loss to below 10 percent by December 31, 2010, or before it files its next rate increase application and/or Certificate of Convenience and Necessity ("CC&N") application, whichever comes first. Staff further recommends that the Company begin water loss monitoring and take action to reduce water loss to less than 10 percent. Staff further recommends that the Company evaluate its water system and prepare a report for corrective measures demonstrating how the Company will reduce water losses to less than 10 percent. If the Company finds that reduction of water losses to less than 10 percent is not cost-effective, the Company shall submit a detailed cost analysis and explanation demonstrating why the water loss reduction to less than 10 percent is not cost effective. In any event water loss shall not exceed 15 percent. The water loss reduction report or the detailed cost analysis, whichever is submitted, shall be docketed as a compliance item by January 31, 2011.

## **H. GROWTH**

Figure 5 shows customer growth based on the service connection data contained in the Company's annual reports. The number of customers increased from 863 at the end of 1999 to 1,133 by the end of 2008, with an average growth rate of 31 customers per year from 1999 to 2007. Based on the linear regression analysis, Staff estimates that the Company could have over 1,270 customers by the end of 2013. The following tables summarize Staff and the Company's projected growth.

**Table 2 Actual and Projected Growth**

Year	Nos. of Customers	
1999	863	Reported
2000	867	Reported
2001	889	Reported
2002	899	Reported
2003	937	Reported
2004	961	Reported
2005	1,019	Reported
2006	1,081	Reported
2007	1,118	Reported
2008	1,133	Reported
2009	1,151	Estimated
2010	1,182	Estimated
2011	1,213	Estimated
2012	1,244	Estimated
2013	1,275	Estimated

**I. DEPRECIATION RATES**

Decision No. 67989 approved the depreciation rates used by Pineview in this rate proceeding except that the Company reorganized the authorized rates utilizing the National Association of Regulatory Commissioners' ("NARUC") latest plant account matrix as presented in Figure 6.

Staff recommends the depreciation rates presented in Figure 6 by NARUC account be used.

**J. OTHER ISSUES**

**1. Service Line and Meter Installation Charges**

The Company requested that meter and service line installation charges for all size meters be set at zero. Staff agrees with the Company. Staff therefore recommends these charges be set at zero for all meter sizes.

**2. Curtailment Tariff**

The Company has an approved curtailment tariff on file with the Commission.



**3. Cross Connection & Backflow Tariff**

The Company has an approved Cross Connection & Backflow Tariff.

**4. Field Inspection Findings**

*A. Well No. 4B*

The Company drilled Well No. 4B in 2004. However, the well column collapsed during the drilling and the Company capped Well No. 4B. Therefore, Well No. 4B is not used and useful. The Company paid \$69,947.23<sup>3</sup> for the Well No. 4B installation from 2004 to 2008. Staff recommends that \$69,947.23 (NARUC Account 307) be removed from rate base.

*B. Two Million Gallon Storage Tank ("2 MG Tank")*

During the field inspection, the 2 MG Tank was not in service, therefore, the 2 MG Tank is not used and useful. The Company indicated that the 2 MG tank would be in service in late 2009. The Company paid a total of \$366,637.98 that included \$352,252.53<sup>4</sup> (NARUC Account 330) and \$14,385.45<sup>5</sup> (NARUC Account 331) for the 2 MG Tank project from 2006 to 2008. The Company recorded these costs in the Storage Tank Account (NARUC Account 330) and the Transmission Account (NARUC Account 331). Staff recommends that \$366,637.98 for the 2 MG tank be removed from rate base.

**5. Reclassification**

*A. 2004*

The Company paid \$2,538.62 for pumping equipment and recorded it in the Well Account (NARUC Account 307). The Company agrees with Staff that this should be reclassified to the Pumping Equipment Account (NARUC Account 311). Therefore, Staff recommends reclassification of \$2,538.62 from the Well Account to the Pumping Equipment Account.

The Company also paid \$1,856.12<sup>6</sup> for meters and recorded it in Transmission & Mains Account (NARUC Account 331). The Company agrees with Staff that this should be reclassified to Meters & Meter Installation Account (NARUC Account 334). Therefore, Staff

<sup>3</sup> The Company paid \$16,003.27 (in 2004), \$16,314.14 (in 2005), \$16,457.60 (in 2006) and \$21,172.22 (2008) for Well No. 4B.

<sup>4</sup> The Company paid \$349,605.53 (in 2006) and \$2,647 (in 2007) for the two million gallon storage tank.

<sup>5</sup> The Company paid \$6,891.95 (in 2006) and \$7,493.5 (in 2008) for mains, transmissions related to two million gallon storage tank.

<sup>6</sup> Pineview paid Canyon Pipe & Supply Inc \$371.13 and \$1,484.99 for meters.

recommends reclassification of \$1,856.12 from the Transmission & Mains Account to the Meter Account.

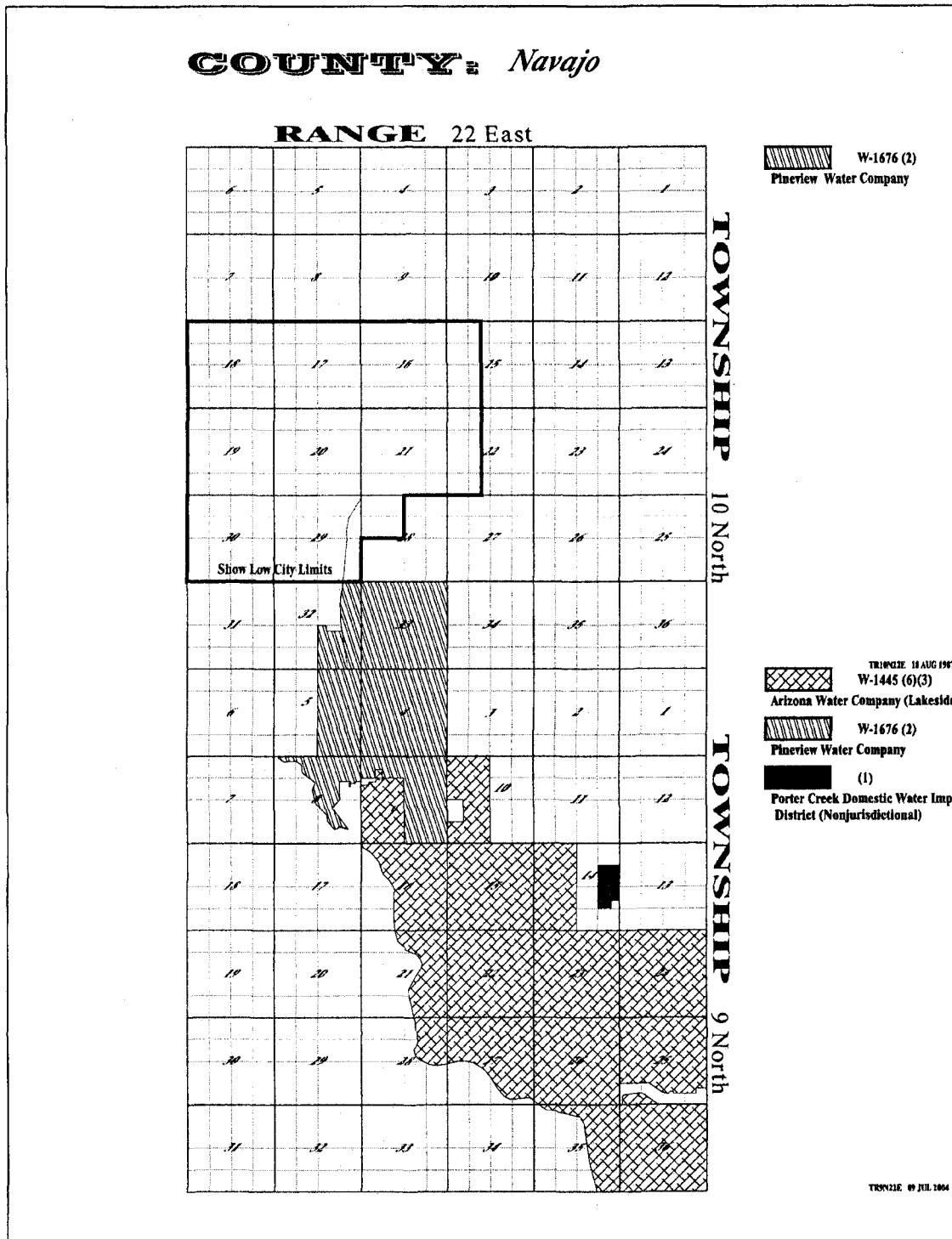
*B.*     2006

The Company paid \$1,952.04<sup>7</sup> for pumping equipment and recorded it in the Well Account (NARUC Account 307). The Company agrees with Staff that this should be reclassified to the Pumping Equipment Account (NARUC Account 311). Therefore, Staff recommends reclassification of \$1,952.04 from the Well Account to the Pumping Equipment Account.

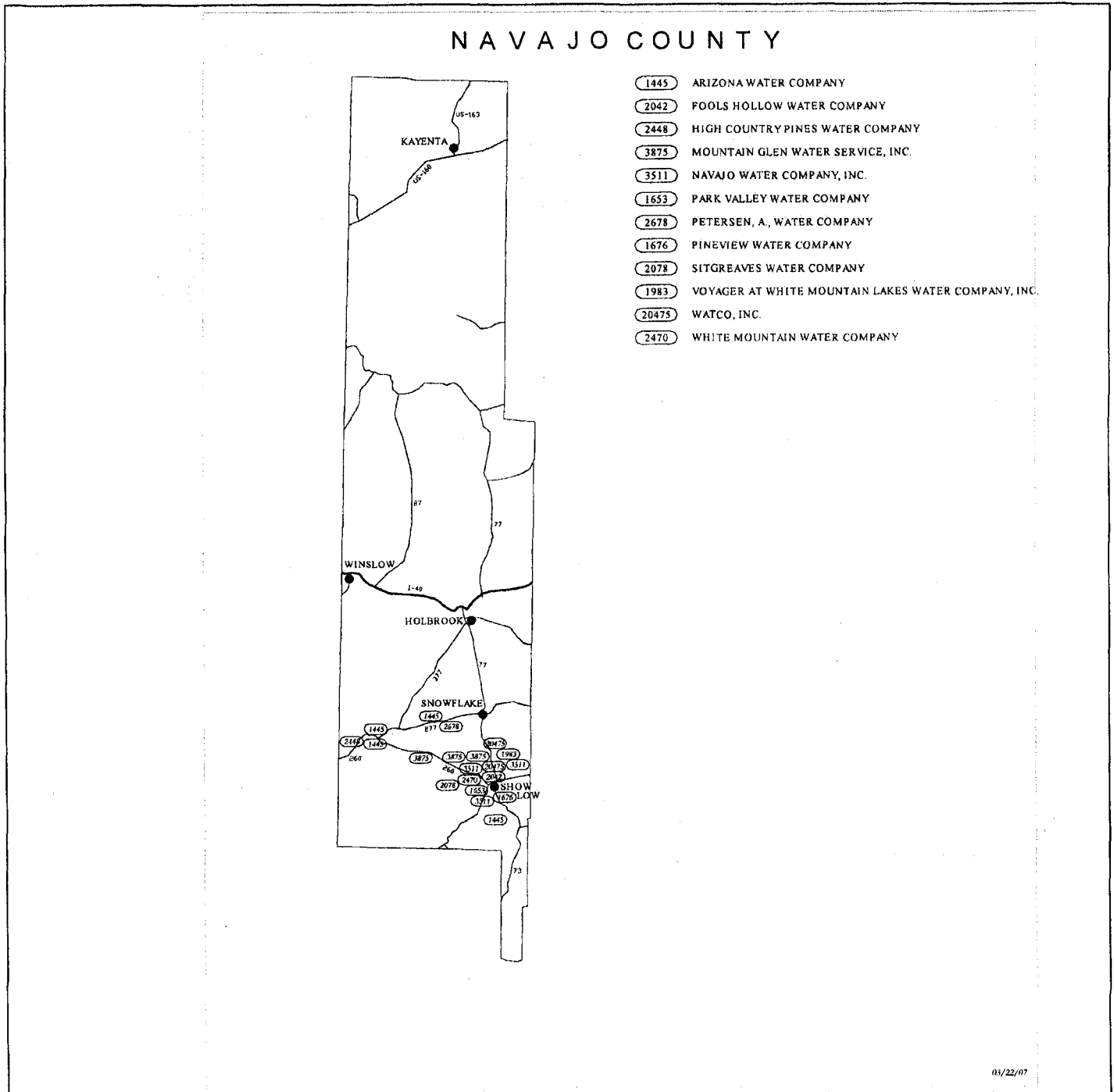
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<sup>7</sup> Pineview paid \$2,928.06 to Dana Kepner for pumps in Well #4B, Well #4C and Well #4D. Staff estimated ⅓ expenses were for Well #4C and Well #4D.

FIGURE 1  
PINEVIEW WATER DIVISION CERTIFICATED AREA



**FIGURE 2**  
**LOCATION OF PINEVIEW WATER DIVISION**



**FIGURE 3A**  
**PINEVIEW WATER DIVISION SYSTEMATIC DIAGRAM**

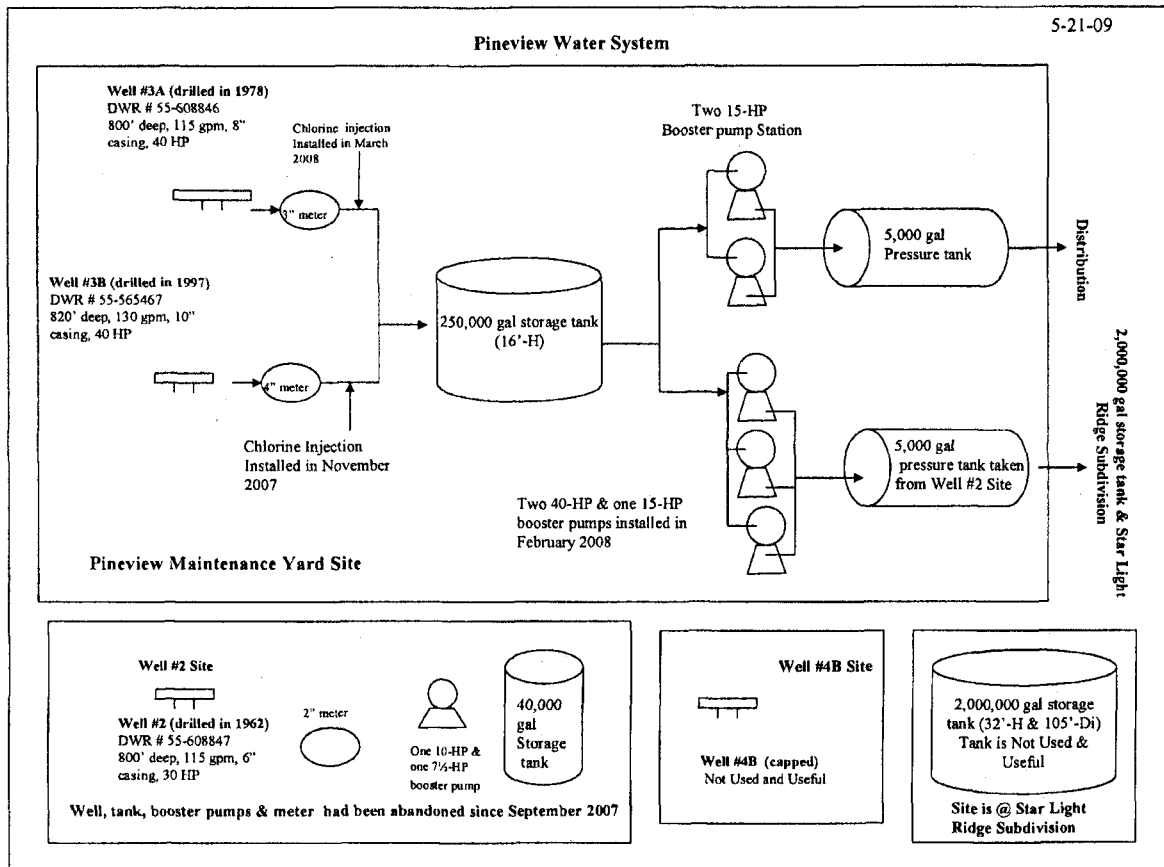
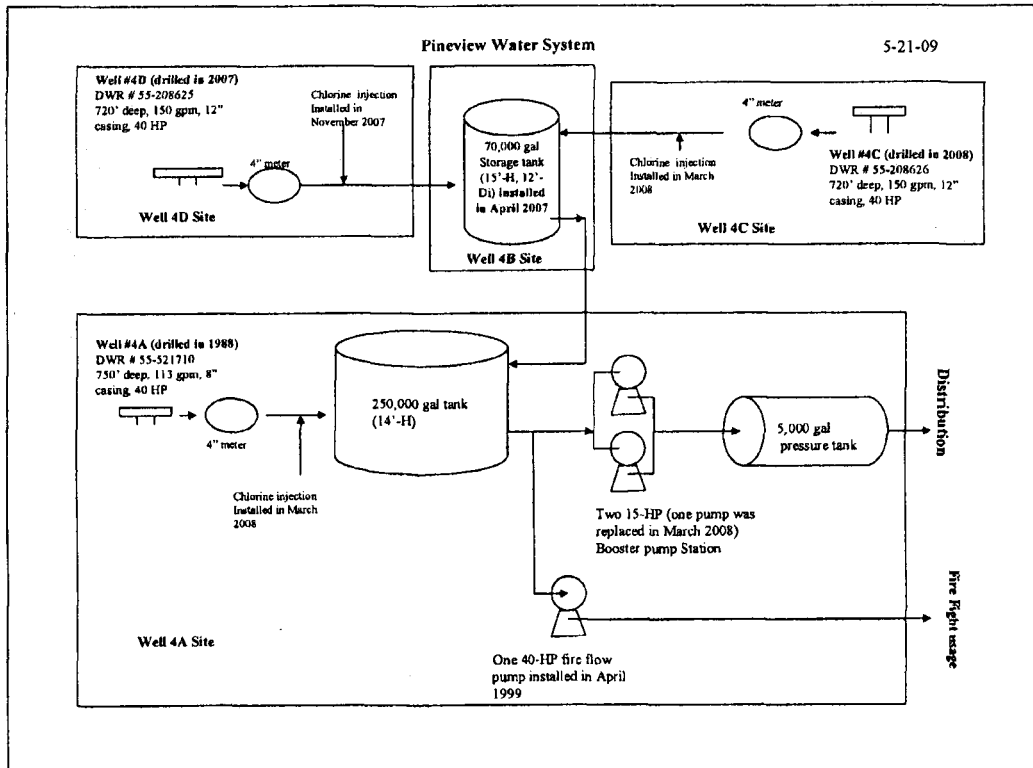


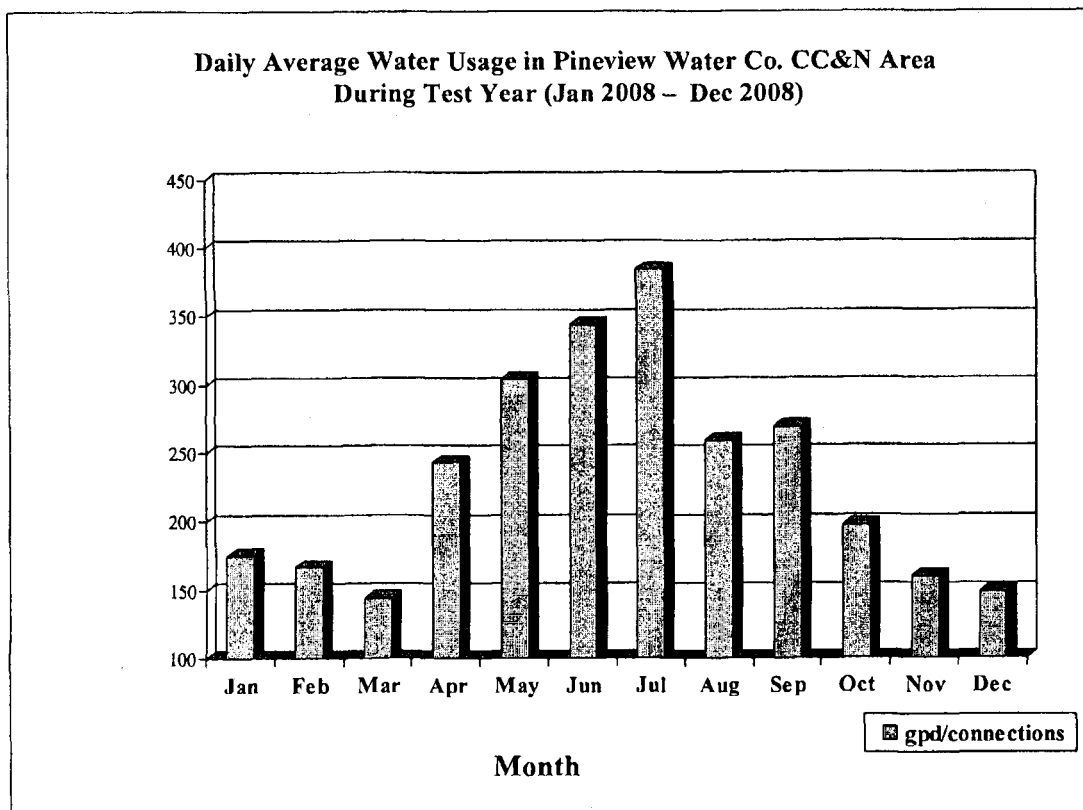
FIGURE 3B

PINEVIEW WATER DIVISION SYSTEMATIC DIAGRAM

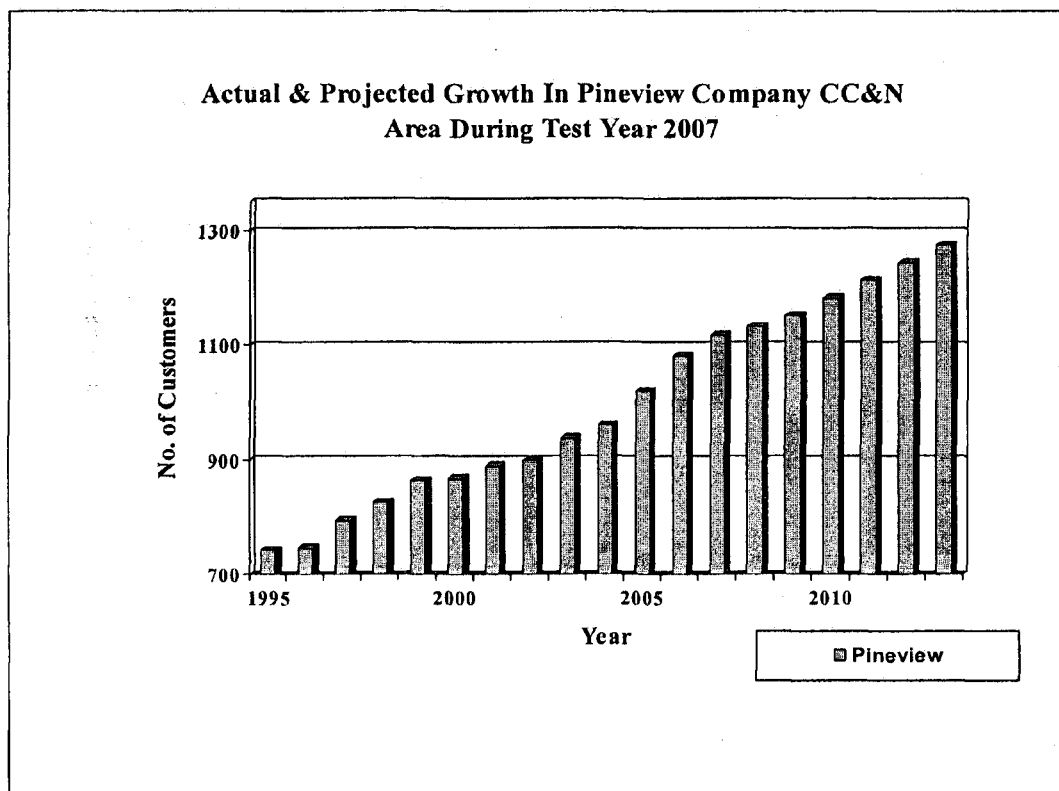


**FIGURE 4**

**PINEVIEW WATER DIVISION WATER USAGE**



**FIGURE 5**  
**GROWTH IN PINEVIEW WATER DIVISION**





**FIGURE 6**

**DEPRECIATION RATES FOR PINEVIEW WATER COMPANY**

NARUC Acct #	Depreciable Plant	Approved Rate (Decision # 67989)	Proposed Rate (%)	Staff Recommended Rate (%)
303	Land & Land Rights	N/A	N/A	0
304	Structures & Improvements	3.33	3.33	3.33
305	Collection & Impounding reservoirs	2.50	N/A	2.50
306	Lake, River, Canal Intakes	2.50	N/A	2.50
307	Wells & Springs	3.33	3.33	3.33
308	Infiltration Galleries	6.67	N/A	6.67
309	Raw Water Supply Mains	2.00	N/A	2.00
310	Power Generation Equip Other	5.00	N/A	5.00
311	Pumping Equipment	12.5	12.5	12.5
320	Water Treatment		20.0	
320.1	Water Treatment Plants	3.33	N/A	3.33
320.2	Solution Chemical Feeders	20.0	N/A	20.0
330	Distribution Reservoirs & Standpipes		2.22	
330.1	Storage Tank	2.22	N/A	2.22
330.2	Pressure Tank	5.00	N/A	5.00
331	Transmission and Distribution	2.00	2.00	2.00
333	Services	3.33	3.33	3.33
334	Meters	8.33	8.33	8.33
335	Hydrants	2.00	2.00	2.00
336	Backflow Prevention Devices	6.67	N/A	6.67
339	Other Plant & Misc Equipment	6.67	6.67	6.67
340	Office Furniture & Equipments	6.67	6.67	6.67
340.1	Computer Software	20.00	N/A	20.00
341	Transportation Equipment	20.00	20.00	20.00
342	Store Equipments	4.00	N/A	4.00
343	Tools, Shop & Garage Equipments	5.00	5.00	5.00
344	Lab equipments	10.00	N/A	10.00
345	Power operated equipments	5.00	5.00	5.00
346	Communication Equipments	10.00	10.00	10.00
347	Miscellaneous Equipment	10.00	10.00	10.00
348	Other Tangible Plant	----	N/A	

ORIGINAL

MEMORANDUM

2010 JAN 12 P 3:00

TO: Docket Control  
FROM: Steven M. Olea  
Director  
Utilities Division



DATE: January 12, 2010

RE: STAFF'S REPLY (SURREBUTTAL) TO PINEVIEW WATER COMPANY, INC.'S  
RESPONSE TO THE STAFF REPORT (DIRECT TESTIMONY)  
(DOCKET NO. W-01676A-08-0366)

On December 24, 2009, Pineview Water Company, Inc. ("Company") filed a response to Utility Division Staff's ("Staff") Direct Testimony previously filed on December 3, 2009. The Company's response states that the Company is overall in agreement with the Staff Report, but with several exceptions. Pursuant to the Procedural Order dated September 10, 2009, Staff hereby replies to the Company's exceptions and includes revised schedule JMM-18 to reflect corrections to Staff's Direct Testimony.

Meter Deposits

In its response, the Company states that [in its application] the Company "requested that 'Meter Deposits' be deleted from the Company's Tariff Schedule."<sup>1</sup> The Company further states that "[i]n the Staff Report Staff deleted the 'Meter Deposits.'"<sup>2</sup>

Staff notes that neither the Company's application nor Staff's Direct Testimony eliminated the deposit requirements; rather, both parties proposed deposit requirements per Arizona Administrative Code Rule R14-2-403(B).<sup>3</sup>

Per a subsequent telephone conversation with the Company on January 7, 2010, it is Staff's understanding that the Company did not intend to refer to "Meter Deposits" in its response, but was rather referring to "Service Line and Meter Installation Charges."

Therefore, Staff continues to recommend deposit requirements that conform to R14-2-403(B).

<sup>1</sup> Company Response, p. 1:21-22.

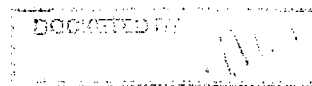
<sup>2</sup> *Id.* at 1:18.

<sup>3</sup> Company Application, Schedule H-3 at 3.

Arizona Corporation Commission

DOCKETED

JAN 12 2010



#### Service Line and Meter Installation Charges

The Company's application proposed that Service Line and Meter Installation Charges be zero.<sup>4</sup> As most of the Company's customers are seasonal, it may be difficult for the Company to refund these advances during the winter months when revenues are significantly decreased. Therefore, as noted in Staff's Engineering Report, Staff agreed and recommended that these charges be set at zero for all meter sizes.<sup>5</sup>

Inadvertently, the Company's proposal and Staff's recommendation were not accurately reflected in Staff's Direct Testimony schedule of rates and charges.<sup>6</sup> Therefore, Staff submits its revised schedule JMM-18 (attached) which reflects its recommendation that the Service Line and Meter Installation Charges be set at zero.

#### Hook-Up Fees

In its response, the Company states that it requested an increase to Hook-Up Fees.<sup>7</sup> The Company further states that the Staff Report deleted the Hook-Up Fees.<sup>8</sup>

Staff did not specifically discuss this tariff in its Direct Testimony and Hook-Up Fees are typically not represented in Staff's schedule of rates and charges. Pursuant to the phone conversation of January 7, it is Staff's understanding that, because the Hook-Up Fee tariff was not specifically addressed in Direct Testimony, the Company believed that Staff was recommending its elimination.

The Commission granted the Company an Off-Site Facilities Hook-Up Fee tariff in Decision No. 67275 (dated October 5, 2004). Although the Company did state in a response to a data request that it hoped Staff would recommend an increase to its Hook-Up Fee, the Company's application did not propose any modification to the existing tariff.

As previously noted, Staff did not specifically discuss this tariff in its Direct Testimony because no changes to the tariff had been requested by the Company in its application and because Staff was not proposing changes to the existing tariff. From Staff's perspective, the existing Hook-Up Fee tariff would remain in effect. Staff recommends continuation of the Company's existing Hook-Up Fee tariff.

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<sup>4</sup> *Id.*

<sup>5</sup> Staff Direct, Ex. DMH-1 at 6.

<sup>6</sup> See Staff Direct, Schedule JMM-18 at 2.

<sup>7</sup> Company Response, p. 1:21-22.

<sup>8</sup> *Id.* at 1:17.

Pineview Water Company, Inc.

W-01676A-08-0366

Page 3

Construction Water

Though not included in its filed response, the Company also notified Staff of a typographical error. On page 16, line 6, of Staff's Direct Testimony, it incorrectly states that Staff is recommending a construction water charge of \$4.93 per 1,000 gallons. Consistent with schedule JMM-18, this should read instead \$4.90 per 1,000 gallons.

CITYMCA

Service List for: Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366

Ronald L. McDonald, General Manager  
PINEVIEW WATER COMPANY  
5198 Cub Lake Road  
Show Low, Arizona 92801

Ms. Janice Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Mr. Steven M. Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

ORIGINAL

MEMORANDUM

TO: Docket Control

FROM: Steven M. Olea  
Director  
Utilities Division

EA for SMD

DATE: January 28, 2010

RE: **NOTICE OF ERRATA STAFF'S REPLY (SURREBUTTAL) TO PINEVIEW WATER COMPANY, INC.'S RESPONSE TO THE STAFF REPORT (DIRECT TESTIMONY) (DOCKET NO. W-01676A-08-0366)**

On December 24, 2009, Pineview Water Company, Inc. ("Company") filed a response to Utility Division Staff's ("Staff") Direct Testimony previously filed on December 3, 2009. On January 12, 2010, Staff filed its reply to the Company's response. In its response, Staff referenced a revised schedule JMM-18 as an attachment; however, the attachment was inadvertently omitted in the filing. Staff hereby files the revised schedule referenced in that response.

Arizona Corporation Commission  
**DOCKETED**

JAN 28 2010

DOCKETED BY *mm*



Service List for: Pineview Water Company, Inc.  
Docket No. W-01676A-08-0366

Ronald L. McDonald, General Manager  
PINEVIEW WATER COMPANY  
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Arizona Corporation Commission  
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Phoenix, Arizona 85007

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Phoenix, Arizona 85007

Ms. Lyn Farmer  
Chief Administrative Law Judge, Hearing Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

RATE DESIGN

Monthly Usage Charge	Present Rates	Company Proposed Rates	Staff Recommended Rates
5/8x3/4" Meter	\$ 17.93	\$ 17.93	\$ 18.00
3/4" Meter	27.00	27.00	27.00
1" Meter	49.00	49.00	45.00
1 1/2" Meter	92.00	92.00	90.00
2" Meter	145.00	145.00	144.00
3" Meter	285.00	285.00	288.00
4" Meter	448.25	448.25	450.00
6" Meter	896.50	896.50	900.00
8" Meter	1,793.00	1,793.00	1,440.00
10" Meter	2,689.50	2,689.50	2,070.00
<b>Commodity Rates per 1,000 Gallons</b> <b>(Residential, Commercial, Industrial)</b>			
<u>5/8 and 3/4 inch Meter</u>			
0 gallons to 3,000 gallons	\$ 3.10	\$ 3.10	\$ 2.75
3,001 gallons to 20,000 gallons	3.66	3.66	N/A
Over 20,000 gallons	4.20	4.20	N/A
3,001 gallons to 10,000 gallons	N/A	N/A	4.00
Over 10,000 gallons	N/A	N/A	4.90
<u>1 inch Meter</u>			
0 gallons to 30,000 gallons	3.10	3.10	N/A
30,001 gallons to 75,000 gallons	3.66	3.66	N/A
Over 75,000 gallons	4.20	4.20	N/A
0 gallons to 24,000 gallons	N/A	N/A	4.00
Over 24,000 gallons	N/A	N/A	4.90
<u>1.5 inch Meter</u>			
0 gallons to 50,000 gallons	3.10	3.10	N/A
50,001 gallons to 100,000 gallons	3.66	3.66	N/A
Over 100,000 gallons	4.20	4.20	N/A
0 gallons to 65,000 gallons	N/A	N/A	4.00
Over 65,000 gallons	N/A	N/A	4.90
<u>2 inch Meter</u>			
0 gallons to 120,000 gallons	3.10	3.10	N/A
120,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 113,000 gallons	N/A	N/A	4.00
Over 113,000 gallons	N/A	N/A	4.90
<u>3 inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 240,000 gallons	N/A	N/A	4.00
Over 240,000 gallons	N/A	N/A	4.90
<u>4 inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 385,000 gallons	N/A	N/A	4.00
Over 385,000 gallons	N/A	N/A	4.90
<u>6 inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 795,000 gallons	N/A	N/A	4.00
Over 795,000 gallons	N/A	N/A	4.90
<u>8 inch Meter</u>			
0 gallons to 150,000 gallons	3.10	3.10	N/A
150,001 gallons to 250,000 gallons	3.66	3.66	N/A
Over 250,000 gallons	4.20	4.20	N/A
0 gallons to 1,285,000 gallons	N/A	N/A	4.00
Over 1,285,000 gallons	N/A	N/A	4.90

Add

✓



RATE DESIGN (CONTINUED)

	Present Rates			Staff Recommended Rates		
<u>10 Inch Meter</u>						
0 gallons to 150,000 gallons	\$ 3.10		\$ 3.10			N/A
150,001 gallons to 250,000 gallons	3.66		3.66			N/A
Over 250,000 gallons	4.20		4.20			N/A
0 gallons to 1,850,000 gallons	N/A		N/A		\$	4.00
Over 1,850,000 gallons	N/A		N/A			4.90
<u>Construction Water - All Usage per 1,000 Gallons</u>	4.75		4.75			4.90
				Staff Service Line Charge	Staff Meter Installation Charge	Total Staff Charge
<u>Service Line and Meter Installation Charges</u>						
5/8" x 3/4" Meter	\$ 475.00		\$ -	\$ -	\$ -	\$ -
3/4" Meter	550.00		-	-	-	-
1" Meter	650.00		-	-	-	-
1 1/2" Meter	900.00		-	-	-	-
2" Turbine Meter	1,550.00		-	-	-	-
2" Compound Meter	2,300.00		-	-	-	-
3" Turbine Meter	2,200.00		-	-	-	-
3" Compound Meter	3,100.00		-	-	-	-
4" Turbine Meter	3,600.00		-	-	-	-
4" Compound Meter	4,400.00		-	-	-	-
6" Turbine Meter	6,200.00		-	-	-	-
6" Compound Meter	7,900.00		-	-	-	-
8" Turbine Meter	7,543.00		-	-	-	-
8" Compound Meter	7,980.00		-	-	-	-
10" Turbine Meter	9,529.00		-	-	-	-
10" Compound Meter	11,278.00		-	-	-	-
<u>Service Charges</u>						
Establishment - Regular Hours	\$ 20.00		\$ 20.00			\$ 20.00
Establishment (After Hours)	35.00		35.00			35.00
Re-Establishment Fee (Within 12 Months)	*		*			*
Re-Connection of Service - Regular Hours	15.00		15.00			15.00
Re-Connection of Service - After Hours	30.00		30.00			30.00
Water Meter Test - If Correct	20.00		20.00			20.00
Water Meter Relocation at Customer Request	Cost (1)		Cost (1)			Cost (1)
Meter Re-read (if Correct)	**		15.00			15.00
NSF Check Charge	25.00		25.00			25.00
Late Charge	1.50%		1.50%			1.50%
Deferred Payment Finance Charge	1.50%		1.50%			1.50%
Service Calls - Regular Hours	No Charge		No Charge			No Charge
Service Calls - After Hours	\$ 25.00		\$ 25.00			\$ 25.00
Deposits Requirements	***		***			***
Deposit Interest	6%		6%			6%

\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

\*\* Per Commission rule A.A.C. R14-2-408(C).

\*\*\* Per Commission rule A.A.C. R14-2-403(B).

Note:

(1) Cost Includes Materials, Labor and Overheads

ORIGINAL  
OPEN MEETING ITEM

MEMORANDUM

RECEIVED

410

TO: THE COMMISSION DOCKETED  
FROM: Utilities Division SEP 13 2004  
DATE: September 13, 2004  
RE: PINEVIEW WATER COMPANY TARIFF FILING TO IMPLEMENT AN OFF-SITE FACILITES HOOK-UP FEE TARIFF (DOCKET NO. W-01676A-04-0462)

Arizona Corporation Commission

2004 SEP 13 P 4: 53

AZ CORP COMMISSION  
DOCUMENT CONTROL

DOCKETED BY

*[Signature]*



BACKGROUND

On June 18, 2004, Pineview Water Company ("Pineview" or "Company") filed a tariff with the Commission. The Company seeks approval to implement an Off-site Facilities Hook-up Fee Tariff of \$1,500 for all new 5/8 x 3/4 inch service connections. The Company is planning to undertake a \$730,978 construction project that will provide a source of water for approximately 500 new customers in its certificated area. The construction project includes: (a) installation of a new well and upgrades of the electrical controls at two existing well sites; (b) installation of a new 2,000,000 gallon storage tank; and, (c) installation of 5,100 feet of new 12 inch transmission mains. In addition to filing the subject Off-site Facilities Hook-up Fee Tariff, on June 18, 2004, the Company also filed a financing application (Docket No. W-01676A-04-0463) in which it seeks authorization to borrow \$730,978 to fund the construction described above. In its financing application, the Company indicated that it would use the money collected from the hook-up fee to pay back the loan. In Decision 67106, dated July 9, 2004, the Commission suspended this tariff filing for one hundred and two (102) days until and including September 30, 2004, so that Staff could review the filings.

SYSTEM ANALYSIS

Pineview serves an area consisting of approximately four square miles that is located southeast of the Town of Show Low in Navajo County. The Company's water system consists of four wells, three storage tanks having a total storage capacity of 540,000 gallons, three pressure tanks and a distribution system serving 933 connections. The existing system has adequate storage and production capacity to serve the existing customer base plus approximately an additional 280 customers.

The Company will need additional production and storage capacity to serve the projected 500 new customers since the existing system only has adequate capacity to serve an additional 280 customers. In addition, because the new customers will be located at a higher elevation within the Company's service area, installation of a new storage tank is needed so that reliable and adequate water pressure is maintained to the new customers. However, Staff does not agree

with the Company's proposal to include the cost of adding 2,000,000 gallons of additional storage capacity in the fee calculations. Staff believes that the proposal to add 2,000,000 gallons of additional storage capacity is driven by the Company's plan to convert its existing system and customers to a gravity flow system (water stored at higher elevations in the system provides pressure at lower elevations). The proposed hook-up fees should only apply to new customers and therefore including the cost of new storage for the existing customers would not be appropriate. Staff estimates the Company will need 400,000 gallons of additional storage capacity to serve the projected 500 new customers. Accordingly, Staff recommends that the Company's proposed hook-up fee amount be adjusted to include the cost of 400,000 gallons of additional storage capacity. This adjustment and four others that Staff is recommending are reflected in the right-hand column in the table below. In addition to the storage capacity adjustment discussed above, Staff is recommending four other adjustments which are intended to exclude costs Staff believes are associated with plant upgrades and additions that are not needed to serve the new customers.

### COST ANALYSIS

Staff's recommended adjustment to the Company's cost estimate is listed in the right-hand column of the table below:

Facility	Description	Company's cost estimate (\$)	Staff adjustments (\$)
Storage Tank	One 2,000,000 gallon storage tank	304,150	0
	One 400,000 gallon storage tank	0	127,239
Transmission Line	5,100' of 12" PVC	155,369	155,369
Additional Well	1.5 Acres of land	54,000	0 <sup>1</sup>
	800 feet deep, 12-inch diameter well	38,000	38,000
	One 130 gpm, 40-HP pump	18,037	18,037
	One pump house with chlorination system	16,570	16,570
	Site preparation/ access road	17,600	17,600
	Electricity/ control panel	18,420	18,420
	Fencing	3,120	3,120
	Pressure & gravity water main extension	30,660	0 <sup>2</sup>
	Engineering & design	5,422	5,422
	Controls & Electrical work for Well #3 site & Well #4 site	22,370	0 <sup>2</sup>
	Engineering & design (to control pressures @ various locations with the system)	7,500	0 <sup>2</sup>
	Pressure reducing valves	39,760	39,760
<b>Total</b>		<b>730,978</b>	<b>439,537</b>

- Notes:
1. The Company proposes to purchase land to drill three new wells sometime in the future. Staff believes that the Company's existing wells will provide an adequate source of water for the foreseeable future.
  2. These facilities are associated with the Company's plan to convert its existing system to a gravity flow system (see previous discussion regarding storage capacity).

Based on its review of the Company's cost estimates, Staff believes that the appropriate construction cost is \$439,537.

### **FINANCIAL ANALYSIS**

Based on reduced construction expenditures for new back-bone facilities of \$439,537 to serve new customers, the non-refundable hook-up fee for each 5/8 x 3/4 inch meter should be \$500. The total amount collected (\$250,000 based on 500 new customers) will represent just over 50 percent of the cost of the new back-bone facilities.

For private or publicly owned utilities, non-refundable contributions in aid of construction should be established so that the funds generated do not represent a significant portion of a company's capital structure. Based on the Company's projections, the addition of \$250,000 of CIAC is appropriate.

### **STAFF RECOMMENDED METER FACTORS AND OFF-SITE FACILITIES HOOK-UP FEES**

Staff recommends that the National Association of Regulatory Utility Commissioners multipliers (NARUC meter factors) be used to develop a schedule of charges based on the meter size of each new service connection.

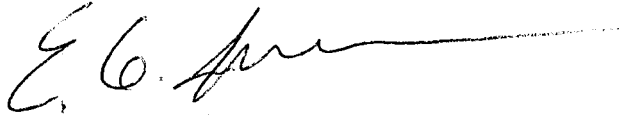
#### **Off-site Facilities Hook-up Fee Charge Schedule**

Meter size	NARUC meter factors	Fee (\$)
5/8" x 3/4"	1	500
3/4"	1.5	750
1"	2.5	1,250
1 1/2"	5	2,500
2"	8	4,000
3"	16	8,000
4"	25	12,500
6" or larger	50	25,000

THE COMMISSION  
September 13, 2004  
Page 4

**RECOMMENDATION**

The attached hook-up fee tariff schedule should be docketed along with the approved hook-up fee amounts, as a compliance item under this docket number, within sixty (60) days of the effective date of a Commission Decision granting approval.

A handwritten signature in dark ink, appearing to read 'E. G. Johnson', with a long horizontal flourish extending to the right.

Ernest G. Johnson  
Director  
Utilities Division

EGJ:DMH:cal/TS

ORIGINATOR: Dorothy Hains

## TARIFF SCHEDULE

EXHIBIT 1

Utility: Pineview Water Company  
Docket No.: W-01676A-04-0462  
Phone No.: (928) 537-4858

Tariff Sheet No.: Page 1 of 3  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

**OFF-SITE WATER FACILITIES HOOK-UP FEE****I. Purpose and Applicability**

The purpose of the hook-up fees payable to Pineview Water Co. ("Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage, pressure and fire flow among all new service connections.

These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

**II. Definitions**

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Pineview Water Company an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and these facilities will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial, or other uses, regardless of meter size.

## TARIFF SCHEDULE

## EXHIBIT 1

Utility: Pineview Water Company  
Docket No.: W-01676A-04-0462  
Phone No.: (928) 537-4858

Tariff Sheet No.: Page 2 of 3  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

**III. Off-Site Hook-Up Charges**

Each new service connection shall pay the total off-site facilities hook-up fee, derived from the following table:

OFF-SITE FACILITIES HOOKUP FEE TABLE		
Meter Size	NARUC Meter Factor	Total Fee
5/8" X 3/4"	1	\$500
3/4"	1.5	\$750
1"	2.5	\$1,250
1- 1/2 "	5	\$2,500
2"	8	\$4,000
3"	16	\$8,000
4"	25	\$12,500
6" or larger	50	\$25,000

**IV. Terms and Conditions**

- (A) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per service connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of Off-Site Hook-Up Fee: Hook-Up fees may only be used to pay for the capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-site hook-up fees shall not be used for repairs, maintenance, plant replacements, or operational purposes.
- (C) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406 (B), payment of the charges required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the main extension agreement in accordance with R14-2-406(M).

## TARIFF SCHEDULE

## EXHIBIT 1

Utility: Pineview Water Company  
Docket No.: W-01676A-04-0462  
Phone No.: (928) 537-4858

Tariff Sheet No.: Page 3 of 3  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

- (2) In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.
- (D) Failure to Pay Charges; Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this off-site hook-up fee tariff.
- (E) Off-Site Hook-Up Fee Non-refundable: The amounts collected by the Company pursuant to the off-site hook-up fee shall be non-refundable contributions in aid of construction.
- (F) Use of Charges Received: All funds collected by the Company as off-site hook-up fees, shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.
- (G) Off-Site Hook-Up Fees In Addition to Other Charges: The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (H) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fee or the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission (Commission), any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (I) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were generally provided, the Company may require the Applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

Effective Date: \_\_\_\_\_

Approved for Filing in Compliance with  
Decision No. \_\_\_\_\_



1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2   MARC SPITZER  
      Chairman  
3   WILLIAM A. MUNDELL  
      Commissioner  
4   JEFF HATCH-MILLER  
      Commissioner  
5   MIKE GLEASON  
      Commissioner  
6   KRISTIN K. MAYES  
      Commissioner  
7

8   IN THE MATTER OF PINEVIEW WATER }  
9   COMPANY, INC., TARIFF FILING TO }  
10  IMPLEMENT AN OFF-SITE FACILITIES }  
     HOOK-UP FEE TARIFF               }

DOCKET NO. W-01676A-04-0462  
DECISION NO. \_\_\_\_\_  
ORDER

11  
12   Open Meeting  
13   September 28 and 29, 2004  
14   Phoenix, Arizona

14   BY THE COMMISSION:

15                                   **FINDINGS OF FACT**

16           1.     Pineview Water Company ("Pineview") is certificated to provide water service as a  
17   public service corporation in the State of Arizona.

18   **BACKGROUND**

19           2.     On June 18, 2004, Pineview Water Company ("Pineview" or "Company") filed a  
20   tariff with the Commission. The Company seeks approval to implement an Off-site Facilities  
21   Hook-up Fee Tariff of \$1,500 for all new 5/8 x 3/4 inch service connections. The Company is  
22   planning to undertake a \$730,978 construction project that will provide a source of water for  
23   approximately 500 new customers in its certificated area. The construction project includes: (a)  
24   installation of a new well and upgrades of the electrical controls at two existing well sites; (b)  
25   installation of a new 2,000,000 gallon storage tank; and (c) installation of 5,100 feet of new 12  
26   inch transmission mains. In addition to filing the subject Off-site Facilities Hook-up Fee Tariff, on  
27   June 18, 2004, the Company also filed a financing application (Docket No. W-01676A-04-0463)  
28   in which it seeks authorization to borrow \$730,978 to fund the construction described above. In its

1 financing application, the Company indicated that it would use the money collected from the hook-  
2 up fee to pay back the loan.

3 3. In Decision 67106, dated July 9, 2004, the Commission suspended this tariff filing  
4 for one hundred and two (102) days until and including September 30, 2004, so that Staff could  
5 review the filings.

6 **SYSTEM ANALYSIS**

7 4. Pineview serves an area consisting of approximately four square miles that is  
8 located southeast of the Town of Show Low in Navajo County. The Company's water system  
9 consists of four wells, three storage tanks having a total storage capacity of 540,000 gallons, three  
10 pressure tanks and a distribution system serving 933 connections. The existing system has  
11 adequate storage and production capacity to serve the existing customer base plus an additional  
12 280 customers. The Company will need additional production and storage capacity to serve the  
13 projected 500 new customers since the existing system only has adequate capacity to serve an  
14 additional 280 customers. In addition, because the new customers will be located at a higher  
15 elevation within the Company's service area installation of a new storage tank is needed so that  
16 reliable and adequate water pressure is maintained to the new customers. However, Staff does not  
17 agree with the Company's proposal to include the cost of adding 2,000,000 gallons of additional  
18 storage capacity in the fee calculations. Staff believes that the proposal to add 2,000,000 gallons  
19 of additional storage capacity is driven by the Company's plan to convert its existing system and  
20 customers to a gravity flow system (water stored at higher elevations in the system provides  
21 pressure at lower elevations). The proposed hook-up fees should only apply to new customers and  
22 therefore including the cost of new storage for the existing customers would not be appropriate.  
23 Staff estimates the Company will need 400,000 gallons of additional storage capacity to serve the  
24 projected 500 new customers. Accordingly, Staff recommends that the Company's proposed  
25 hook-up fee amount be adjusted to include the cost of 400,000 gallons of additional storage  
26 capacity. This adjustment and four others that Staff is recommending are reflected in the right-  
27 hand column in the table below. In addition to the storage capacity adjustment discussed above,

28

Staff is recommending four other adjustments which are intended to exclude costs Staff believes are associated with plant upgrades and additions that are not needed to serve the new customers.

### COST ANALYSIS

5. Staff's recommended adjustment to the Company's cost estimate is listed in the right-hand column of the table below:

Facility	Description	Company's cost estimate (\$)	Staff adjustments (\$)
Storage Tank	One 2,000,000 gallon storage tank	304,150	0
	One 400,000 gallon storage tank	0	127,239
Transmission Line	5,100' of 12" PVC	155,369	155,369
Additional Well	1.5 Acres of land	54,000	0 <sup>1</sup>
	800 feet deep, 12-inch diameter well	38,000	38,000
	One 130 gpm, 40-HP pump	18,037	18,037
	One pump house with chlorination system	16,570	16,570
	Site preparation/ access road	17,600	17,600
	Electricity/ control panel	18,420	18,420
	Fencing	3,120	3,120
	Pressure & gravity water main extension	30,660	0 <sup>2</sup>
	Engineering & design	5,422	5,422
	Controls & Electrical work for Well #3 site & Well #4 site	22,370	0 <sup>2</sup>
	Engineering & design (to control pressures @ various locations with the system)	7,500	0 <sup>2</sup>
	Pressure reducing valves	39,760	39,760
<b>Total</b>		<b>730,978</b>	<b>439,537</b>

Notes: 1. The Company proposes to purchase land to drill three new wells sometime in the future. Staff believes that the Company's existing wells will provide an adequate source of water for the foreseeable future.  
2. These facilities are associated with the Company's plan to convert its existing system to a gravity flow system (see previous discussion regarding storage capacity).

6. Based on its review of the Company's cost estimates, Staff believes that the appropriate construction cost is \$439,537.

...

Decision No. \_\_\_\_\_

**FINANCIAL ANALYSIS**

7. Based on reduced construction expenditures for new back-bone facilities of \$439,537 to serve new customers, the non-refundable hook-up fee for each 5/8 x 3/4 inch meter should be \$500. The total amount collected (\$250,000 based on 500 new customers) will represent just over 50 percent of the cost of the new back-bone facilities. For private or publicly owned utilities, non-refundable contributions in aid of construction should be established so that the funds generated do not represent a significant portion of a company's capital structure. Based on the Company's projections, the addition of \$250,000 of CIAC is appropriate.

**STAFF'S RECOMMENDED METER FACTORS AND OFFSITE FACILITIES HOOK-UP FEES**

8. Staff has recommended that the National Association of Regulatory Utility Commissioners multipliers (NARUC meter factors) be used to develop a schedule of charges based on the meter size of each new service connection.

**Off-site Facilities Hook-up Fee Charge Schedule**

Meter size	NARUC meter factors	Fee (\$)
5/8" x 3/4"	1	500
3/4"	1.5	750
1"	2.5	1,250
1 1/2"	5	2,500
2"	8	4,000
3"	16	8,000
4"	25	12,500
6" or larger	50	25,000

9. Staff has recommended that the attached hook-up fee tariff schedule (Exhibit A) should be docketed along with the approved hook-up fee amounts, as a compliance item under this

1 docket number, within sixty (60) days of the effective date of a Commission Decision granting  
2 approval.

3 CONCLUSIONS OF LAW

4 1. Pineview is an Arizona public service corporation within the meaning of Article  
5 XV, Section 2, of the Arizona Constitution.

6 2. The Commission has jurisdiction over the Company and of the subject matter in  
7 this Application.

8 3. The Staff recommendations contained in Findings of Fact 8 and 9 are reasonable  
9 and appropriate and should be adopted.

10 4. The Commission, having reviewed the application and Staff's Memorandum dated  
11 September 13, 2004, concludes that it is in the public interest to approve an amended tariff that  
12 includes the Staff recommendations contained in Findings of Fact 8 and 9.

13 ORDER

14 IT IS THEREFORE ORDERED that the tariff filing as amended to include the Staff  
15 recommendations contained in Findings of Fact 8 and 9 is hereby approved.

16 IT IS FURTHER ORDERED that an amended hook-up fee tariff schedule, per the attached  
17 Exhibit A, shall be docketed along with the approved hook-up fee amounts as a compliance item  
18 under this docket number within sixty (60) days of the effective date of this Decision.

19 IT IS FURTHER ORDERED that this Decision shall become effective immediately.  
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**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN COMMISSIONER COMMISSIONER

COMMISSIONER COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:DMH:cal/TS

Decision No. \_\_\_\_\_

1 SERVICE LIST FOR: PINEVIEW WATER COMPANY, INC.  
2 DOCKET NO. W-01676A-04-0462

3 Mr. Richard L. Sallquist  
4 Sallquist & Drummond, P.C.  
5 4500 South Lakeshore Drive, Suite 339  
6 Tempe, Arizona 85282

6 Mr. Ernest G. Johnson  
7 Director, Utilities Division  
8 Arizona Corporation Commission  
9 1200 West Washington Street  
10 Phoenix, Arizona 85007

10 Mr. Christopher C. Kempley  
11 Chief Counsel  
12 Arizona Corporation Commission  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007  
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Utility: Pineview Water Company  
Docket No.: W-01676A-04-0462  
Phone No.: (928) 537-4858

Tariff Sheet No.: Page 1 of 3  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

## OFF-SITE WATER FACILITIES HOOK-UP FEE

### I. Purpose and Applicability

The purpose of the hook-up fees payable to Pineview Water Co. ("Company") pursuant to this tariff is to equitably apportion the costs of constructing additional facilities to provide water production, storage, pressure and fire flow among all new service connections.

These charges are applicable to all new service connections established after the effective date of this tariff. The charges are one-time charges and are payable as a condition to the Company's establishment of service, as more particularly provided below.

### II. Definitions

Unless the context otherwise requires, the definitions set forth in R-14-2-401 of the Arizona Corporation Commission's rules and regulations governing water utilities shall apply in interpreting this tariff schedule.

"Applicant" means any party entering into an agreement with Company for the installation of water facilities to serve new service connections.

"Company" means Pineview Water Company an Arizona corporation.

"Main Extension Agreement" means any agreement whereby an Applicant agrees to advance the costs of the installation of water facilities to the Company to serve new service connections, or install water facilities to serve new service connections and transfer ownership of such water facilities to the Company, which agreement shall require the approval of the Arizona Corporation Commission (same as line extension agreement).

"Off-Site Facilities" means wells, storage tanks and related appurtenances necessary for proper operation, including engineering and design costs. Off-Site facilities may also include booster pumps, pressure tanks, transmission mains and related appurtenances necessary for proper operation, if these facilities are not for the exclusive use of the applicant and these facilities will benefit the entire water system.

"Service Connection" means and includes all service connections for single-family residential, commercial, industrial, or other uses, regardless of meter size.



## TARIFF SCHEDULE

## EXHIBIT A

Utility: Pineview Water Company  
 Docket No.: W-01676A-04-0462  
 Phone No.: (928) 537-4858

Tariff Sheet No.: Page 2 of 3  
 Decision No.: \_\_\_\_\_  
 Effective: \_\_\_\_\_

**III. Off-Site Hook-Up Charges**

Each new service connection shall pay the total off-site facilities hook-up fee, derived from the following table:

OFF-SITE FACILITIES HOOKUP FEE TABLE		
Meter Size	NARUC Meter Factor	Total Fee
5/8" x 3/4"	1	\$500
3/4"	1.5	\$750
1"	2.5	\$1,250
1- 1/2 "	5	\$2,500
2"	8	\$4,000
3"	16	\$8,000
4"	25	\$12,500
6" or larger	50	\$25,000

**IV. Terms and Conditions**

- (A) Assessment of One Time Hook-Up Charge: The hook-up fee may be assessed only once per service connection, or lot within a platted subdivision (similar to meter and service line installation charges). However, this provision does not exempt from the hook-up fee, any newly created parcel(s) which are the result of further subdivision of a lot or land parcel and which do not have a service connection.
- (B) Use of Off-Site Hook-Up Fee: Hook-Up fees may only be used to pay for the capital items of off-site facilities, or for repayment of loans obtained for installation of off-site facilities. Off-site hook-up fees shall not be used for repairs, maintenance, plant replacements, or operational purposes.
- (C) Time of Payment:
- (1) In the event that the Applicant is required to enter into a main extension agreement, whereby the Applicant agrees to advance the costs of installing mains, valves, fittings, hydrants and other on-site improvements in order to extend service in accordance with R-14-2-406 (B), payment of the charges required hereunder shall be made by the Applicant within 15 calendar days after receipt of notification from the Company that the Utilities Division of the Arizona Corporation Commission has approved the main extension agreement in accordance with R14-2-406(M).

Decision No. \_\_\_\_\_

## TARIFF SCHEDULE

## EXHIBIT A

Utility: Pineview Water Company  
Docket No.: W-01676A-04-0462  
Phone No.: (928) 537-4858

Tariff Sheet No.: Page 3 of 3  
Decision No.: \_\_\_\_\_  
Effective: \_\_\_\_\_

- (2) In the event that the Applicant is not required to enter into a main extension agreement, the charges hereunder shall be due and payable at the time the meter and service line installation fee is due and payable.
- (D) Failure to Pay Charges; Delinquent Payments: Under no circumstances will the Company set a meter or otherwise allow service to be established if the Applicant has not paid in full all charges as provided by this off-site hook-up fee tariff.
- (E) Off-Site Hook-Up Fee Non-refundable: The amounts collected by the Company pursuant to the off-site hook-up fee shall be non-refundable contributions in aid of construction.
- (F) Use of Charges Received: All funds collected by the Company as off-site hook-up fees, shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of off-site facilities, including repayment of loans obtained for the installation of off-site facilities that will benefit the entire water system.
- (G) Off-Site Hook-Up Fees In Addition to Other Charges: The off-site hook-up fees shall be in addition to any costs associated with a main extension agreement for on-site facilities, and are in addition to the amounts to be advanced pursuant to charges authorized under other sections of this tariff.
- (H) Disposition of Excess Funds: After all necessary and desirable off-site facilities are constructed utilizing funds collected pursuant to the off-site hook-up fee or the off-site hook-up fee has been terminated by order of the Arizona Corporation Commission (Commission), any funds remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- (I) Fire Flow Requirements: In the event the applicant for service has fire flow requirements that require additional facilities beyond those facilities whose costs were generally provided, the Company may require the Applicant to install such additional facilities as are required to meet those additional fire flow requirements, as a non-refundable contribution, in addition to the off-site hook-up fee.

Effective Date: \_\_\_\_\_

Approved for Filing in Compliance with  
Decision No. \_\_\_\_\_

Decision No. \_\_\_\_\_